



*cutting through complexity™*



# Investment in Greece

[kpmg.com/gr](http://kpmg.com/gr)



# Preface

Investment in Greece is one in a series of guides published by KPMG and is designed to provide information in a concise manner on subjects important to those contemplating making investments or doing business in Greece. Although the guide is prepared with the foreign investor in mind, it is equally useful and applicable to domestic investors and businesses. This guide has been prepared by KPMG in Greece in cooperation with CPA Law, a law firm and member of the KPMG Network.

Foreign investment is welcome in Greece and the incentives available are presented in this guide.

The intention throughout this guide is for all relevant investment areas to be covered in a succinct and informative manner. However, the information provided can only be general in nature and cannot provide the comprehensive and detailed guidance necessary to formulate specific investment decisions. Furthermore, relevant legislation and detailed regulations are subject to change.

KPMG would be pleased to assist you to evaluate and implement your investment plans. For details on services available and how to contact KPMG in Greece, please see Appendix 5.

Every effort has been made to ensure that the information provided is current as of 31 March 2011.

8th Edition  
KPMG Certified Auditors AE  
31 March 2011

# Contents

<b>Preface</b>	3
Chapter 1 / <b>Greece - Country outline</b>	11
Geography and climate	11
History and government	11
Population and language	12
Currency	13
Living and working conditions	13
<i>Visa requirements/residence permit</i>	13
<i>Foreign exchange regulations</i>	13
<i>Working hours</i>	14
<i>Cost of living</i>	14
<i>Housing</i>	14
<i>Education</i>	14
<i>Pre-and Post Athens Olympic Games and Infrastructure Projects</i>	14
Chapter 2 / <b>Opportunities for international investors</b>	17
The economy	17
Government economic and fiscal policy	18
Attitudes toward foreign investment	19
Incentives for international investors	19
Incentives under Investment Law 3908/2011	20
<i>Types of incentives</i>	21
<i>Qualifying investments</i>	21
<i>Exemptions</i>	23
<i>Qualifying Expenses</i>	23
<i>Subsidy Levels</i>	24

<i>Conditions for qualification of the investments and evaluation criteria</i>	25
<i>Manner of payment of the subsidies</i>	26
<i>Incentives for Substantial Investments</i>	26
<i>Procedures and application under the investment incentives law</i>	27
<i>Infringement of provisions</i>	27
Strategic Investments under Law 3894/2010	28
Other incentives	29
<i>Shipping industry</i>	29
<i>Engineering and civil construction companies</i>	29
<i>Scientific research enterprises</i>	30
<i>Construction and operation of airports, metros, bridges, highways</i>	30
<i>Leasing companies</i>	30
<i>Venture capital companies</i>	30
<i>Portfolio investment companies</i>	31
<i>Mutual funds</i>	31
<i>Portfolio investment companies and mutual funds investing in real estate</i>	32
<i>Closed ended mutual funds investing in companies</i>	32
Investment of foreign capital	33
Law 89 Offices	33
Mergers	33
The local banking system and sources of finance for commerce and industry	36
<i>The banking system</i>	36
<i>The stock exchange</i>	37
Restrictions on international investment (exchange controls)	40
<i>Foreign currency earnings</i>	40
<i>Foreign currency accounts</i>	40
<i>Residents</i>	41
<i>Current transactions</i>	41
<i>Greek residents investing abroad</i>	41
Business regulations	41

<i>Trade practices</i>	41
<i>Anti-trust legislation</i>	42
<b>Chapter 3 / Exporting to/from Greece</b>	<b>43</b>
Duties	43
Use of agents and representative offices	43
Import-export controls	44
<i>Imports</i>	44
<i>Exports</i>	45
<b>Chapter 4 / Business entities</b>	<b>47</b>
Corporation - Anonymos Eteria (AE)	47
<i>Formation of an AE</i>	47
<i>Share capital</i>	48
<i>Administration and annual meetings</i>	50
<i>Management liability</i>	52
<i>Accounting books and records</i>	52
<i>Audit requirements</i>	53
<i>Compulsory publication</i>	53
<i>Distribution of profits</i>	54
<i>Liquidation</i>	54
<i>Government supervision</i>	55
<i>Financial institutions</i>	55
Limited Liability Company - Eteria Periorismenis Efthynis (EPE)	56
<i>Formation of an EPE</i>	56
<i>Capital</i>	57
<i>Administration</i>	57
<i>Management liability</i>	58
<i>Accounting books and records</i>	58
<i>Audit requirements</i>	58
<i>Compulsory publication</i>	58
<i>Distribution of profits</i>	58
<i>Liquidation</i>	58

European Company - Société Européenne (SE)	59
Branch	59
Offshore Entities (Law 89) – Grafio/Etairia Nomou 89	60
Joint Venture - Kinopraxia	61
General Partnership - Omorythmos Eteria (OE)	61
Limited Partnership - Eterorythmos Eteria (EE)	62
European Economic Interest Grouping (EEIG)	62
Chapter 5 / <b>Business taxation</b>	63
<hr/>	
Taxation of legal entities	63
Residence - "Permanent Establishment" test	63
Basic principles - corporate tax	64
Taxable profits	64
Deductible expenses	65
Deductibility of payments to residents of non-co-operating countries or of countries with preferential tax treatment	69
Tax rate	70
Filing of the tax return	71
Payment and prepayment of tax	71
Relief of losses	72
Group tax relief	72
Double taxation and relief for foreign taxes	72
Branch or company	73
Illustrative tax computation and tax payment	74
Capital gains	75
Withholding taxes and special taxes	76
<i>Construction</i>	76
<i>Royalties</i>	76
<i>Service fees</i>	76
<i>Investment income</i>	77
<i>Interest</i>	77
<i>Business income</i>	78
Proceeds from liquidation	78

Local tax (annual tax on real estate)	78
Tax on stock exchange transactions	79
Duty on cellular phones	79
Indirect taxes	79
<i>Value Added Tax (VAT)</i>	79
<i>VAT exemptions</i>	81
<i>Import duties</i>	81
<i>Insurance tax on insurance companies</i>	82
<i>Contribution of Law 128</i>	82
<i>Capital concentration tax</i>	82
<i>Competition committee duty</i>	83
<i>Stamp duty</i>	83
<i>Consumption tax</i>	83
<i>Classification duty</i>	83
<i>Circulation (road) taxes</i>	83
<i>Taxes on real estate</i>	83
<i>Municipal duties</i>	83
<b>Chapter 6 / Taxation of individuals</b>	<b>85</b>
Overview	85
Basic principles	85
Imputed versus actual income	86
Determination of the income tax liability	86
<i>Deductible expenses</i>	87
<i>Tax credits</i>	87
<i>Income tax scales / Tax rates</i>	88
Return filing and payment procedures	90
Illustrative tax computation	90
Income tax withholdings on salaries	90
Professional income	92
Fringe benefits	92
Stock options	93
Investment income	93

<i>Profit sharing</i>	93
<i>Dividends</i>	93
<i>Interest</i>	94
<i>Mutual funds</i>	94
Capital gains tax	94
Inheritance and donations (transfer) tax	95
Foreign employees	95
Chapter 7 / <b>Labor</b>	97
<hr/>	
Residence permits for work purposes	97
Wage regulations/Labor agreements	97
Minimum age	97
Working hours, vacations, and public holidays	98
Overtime	99
Termination/Dismissals	99
Social security system	100
<i>Foreign employees</i>	101
<i>Social Security contributions</i>	101
<i>Benefits provided</i>	102
<i>Unemployment</i>	102
<i>Pensions</i>	102
<i>Sickness</i>	103
<i>Industrial injury</i>	103
<i>Maternity - Parenthood</i>	103
Chapter 8 / <b>Acquisition of real estate/Other tenure forms</b>	105
<hr/>	
Regulations for acquisition (border areas)	105
Taxes arising on acquisition, ownership, occupation, and disposal (including leases)	105
<i>Acquisition</i>	105
<i>Ownership</i>	106
<i>Occupation/Rental income</i>	106
<i>Disposal</i>	107



<i>Compulsory revaluation of real estate</i>	107
<i>Tax savings from depreciation</i>	107
<i>Special tax on real estate</i>	108

## Appendix 1

<b>Investments that are not eligible under Incentive Law 3908/2011</b>	111
--	-----

---

## Appendix 2

<b>Expenses that are not eligible under Incentive Law 3908/2011</b>	115
---	-----

---

## Appendix 3

<b>Summary of Company Law requirements</b>	117
--	-----

---

## Appendix 4

<b>Withholding tax rates on interest, dividends and royalties</b>	119
---	-----

---

## Appendix 5

<b>KPMG services</b>	125
International Presence	125
Outstanding Position in the Greek Market	125
Service Offerings	125
Audit	125
Tax	126
Advisory	127
Accounting	128

## Chapter 1

# Greece - Country online

### Geography and climate

Greece (Hellas) lies in the extreme southeast of Europe and covers an area of approximately 132 000 square kilometers (51 000 square miles). The country borders Albania, FYROM and Bulgaria to the north, Turkey to the east, the Mediterranean Sea to the south and the Ionian Sea to the west. Eighty percent of the country is mountainous and 27% of the total area is cultivated. Greece's islands account for 19% of the total area of the country and there are more than 15 000 kilometers of coastline.

With the European Union (EU) operating as a single market, Greece is well located as an entry point to and from the EU for the Middle East, North Africa and some Balkan countries.

Greece enjoys a temperate Mediterranean climate with normal summer temperatures ranging from 28°C to 35°C and normal winter temperatures from 5°C to 18°C.

### History and government

Greek (Hellenic) civilization dates back to ancient times and Greece is famous for giving birth to democracy. Throughout its long history, Greece's borders expanded and retracted continuously. Despite the fact that, at various times, Greece had been under foreign rule (Roman, Ottoman) it has, since the early 1800's, emerged as an independent nation. Notwithstanding the many years of foreign occupation, Greece has retained its traditions, predominately homogeneous population, and language.

Greece is a Presidential Parliamentary Democracy with the members of parliament being elected for four year terms. The head of the State is the President, who is elected for a five year period by the Parliament. The functions of the State are divided into three branches: the executive, the legislative and the judicial.

The executive branch, the Government, comprises the Prime Minister, who is normally the leader of the political party with the majority

of Parliamentary seats, and the cabinet members who function as heads of the various Ministries. Since Greece became a republic in 1974 (following a 7-year dictatorship and the removal of the monarchy), the two main political parties, the liberal New Democracy party and the Socialist PASOK party, have been governing Greece at alternate times except for the period from mid 1989 through early 1990, when coalition governments were temporarily in power.

For administrative purposes, Greece is divided into 13 regions (called "peripheries") which are governed by individuals (called "peripheriarches") elected every five years (until 2010 they were appointed by the Government and their authorities were not as broad as they are today). Each region is divided into a number of districts (called "nomoi") with each "peripheriarchi" being responsible for the "nomoi" in their region. Until recently each "nomos" was governed by its locally elected prefects or "nomarches", however reforms which were introduced in 2010 eliminated these positions and consolidated many of their powers to the "peripheriarches" and relegated other powers to the municipalities.

The legislative authority is vested in the Parliament and the President of the Hellenic Republic. The Parliament comprises 300 members elected by popular vote. Laws are voted on by the Parliament and ratified by the President in order to be enacted.

The judicial branch is independent of the Parliament and of the Government and is divided into civil/criminal and administrative divisions.

Greece is a member of a number of international bodies including the Council of Europe, the European Union, the International Monetary Fund (IMF), the North Atlantic Treaty Organization (NATO), the Organization of Economic Cooperation and Development (OECD) and the United Nations.

Effective 1 January 1981, Greece became a full member of the European Economic Community (now The European Union) after being an associate member since 1962. The Treaty of Accession provided for transitional periods of various lengths all of which ended on 31 December 1987. Effective 1 January 2001, Greece became a full member of the European Monetary Union.

### **Population and language**

The population is presently just over 11 million and is growing slowly. The working population numbers about 4 million. Approximately 40% of the population of Greece lives in the Attica area, which is primarily the greater Athens area and Piraeus, where also more than 50% of Greek

industry and commerce is located. Thessaloniki (with a population of over 1 million, in northern Greece), Patras (with a population of over 320 thousand, in the northwest Peloponnese), Heraklion (with a population of over 290 thousand, on the island of Crete) and Larissa (with a population of 280 thousand, central mainland) are the other major cities. The population is predominately homogeneous, with the Athens area, and to a lesser extent the other major cities, hosting an international community.

The officially published unemployment figures indicate that the rate of unemployment at the end of 2010 was 14.2%. In Greece a large portion of the working population is self employed.

Greek is the official language of the country; English is also widely spoken, followed by French and German.

## Currency

Following its full membership of the European Monetary Union (EMU), Greece replaced its former monetary unit, the drachma (GRD), with the Euro (EUR) on 1 January 2002. The conversion rate was 1 EUR = 340.75 GRD.

## Living and working conditions

### *Visa requirements/residence permit*

Citizens of EU member states must obtain the appropriate type of Certificate of Registration of an EU Citizen if they wish to work in Greece or wish to take up residence in Greece (a visit of up to three months does not require a permit). In particular, the Certificate must state that it is for the provision of dependent employment services, for the provision of non-salaried services etc. The same Certificate is required for citizens of states of the European Economic Area (i.e. Iceland, Liechtenstein, Norway) and for Swiss citizens.

If they wish to reside and work in Greece, citizens of countries outside the EU must obtain an entry visa issued by the Greek Consulate of their place of origin or residence before arriving in Greece. They must then obtain a residence permit for working purposes after arriving in Greece. Because the applicable procedure could be lengthy, the procedure should be commenced well in advance of the planned date of arrival. Some non-EU citizens may require visas to enter the country even for vacations or short business trips.

### *Foreign exchange regulations*

There are no foreign exchange control restrictions. However, all monetary

transfers abroad must be effected through commercial banks in Greece including payments and other transfers relating to current transactions between residents and non residents. When approving such transfers, commercial banks may ask for certain supporting documentation (related to the authenticity of the transaction) prior to making payments and they are obliged to ensure that the payment has been subject to, or is exempt from, withholding tax.

### *Working hours*

Banking hours are 8:00 a.m. to 2:30 p.m. Monday to Thursday and 8:00 a.m. to 2:00 p.m. on Friday. Some banks have extended banking hours in certain branches. The public sector's hours for the public are generally the same as banking hours although it is anticipated that extended hours may be introduced. Private sector office hours may vary but are generally 9:00 a.m. to 5:00 p.m. Monday to Friday. Stores are open generally from 8:30 a.m. to 3:00 p.m. on Mondays, Wednesdays and Saturdays and generally from 8:30 a.m. to 2:00 p.m. and 5:00 p.m. to 8:30 p.m. on Tuesdays, Thursdays and Fridays. Department stores and hypermarkets have continuous hours, generally from 8:30 a.m. to as late as 8:30 p.m. Monday to Saturday.

### *Cost of living*

The cost of living in Greece has generally converged to EU levels.

### *Housing*

Good quality housing built to high modern standards is available. Most expatriates choose to rent housing although there are generally no restrictions on foreign citizens purchasing real estate (see Chapter 8).

### *Education*

Free public education in the Greek language is available through university level. In addition, there are many private schools operating in the major cities. A significant number of the private schools are foreign, offering education in English, French, German, Italian, Japanese and Arabic. Several foreign universities also have campuses located in Athens and other cities and their degrees will soon be officially recognized for service in the public sector (certain procedures are expected to be clarified in the near future).

### *Pre-and Post Athens Olympic Games and Infrastructure Projects*

In the course of preparing for the 2004 Olympic Games, Athen's infrastructure underwent major changes: a new International Airport (Eleftherios Venizelos International Airport) officially commenced

operations on 1 March 2001 and new subway lines, improvement of existing and construction of new freeways, a ring road around the city, renovations of hotels and new landscaping to add millions of indigenous trees and shrubs to the region, and other similar projects were completed. The 2004 Olympic Games added a significant chapter to the history of the city and provided a legacy of infrastructure and technology for Greece.

Infrastructure expansion has continued even after the games. Two major freeways were completed (the Egnatia Odos freeway crossing Northern Greece from West to East and the freeway from Corinth to Kalamata crossing the interior of the Peloponnese). There is also ongoing construction of other major freeways (such as the Ionia Odos freeway crossing Western Greece from North to South over the Rio Antirio Bridge and the submarine by pass freeway in Thessaloniki) and the modernization of the Athens-Patra Highway is ongoing. Further, new subway stations have been constructed along existing subway lines in Athens and the expansion of existing and construction of new subway lines are in the planning process. Construction is also underway on the subway in Thessaloniki.

## Chapter 2

# Opportunities for international investors

## The economy

The implementation of an economic model whose aim was to create an investor-friendly business environment which would foster a climate of confidence and trust based on entrepreneurship, international orientation and competitiveness resulted in Greece's domestic product growing at an annual average reported rate of 4% during the period 2000 to 2008. Greece steadily enjoyed high growth rates throughout this period, and even earlier, based on supportive fiscal policies, entry into the Eurozone, undertaking the Athens 2004 Olympic Games and EU Community Support Framework (CSF) funding.

However, the GDP has provisionally been reported to have declined by 4.5% for 2010 (based on constant prices). The budget deficit is expected to decrease for 2010 (forecast at 9.37% of GDP) as compared to 15.38% of GDP for 2009) whereas sovereign debt is expected to increase to 144.2% of GDP for 2010 as compared to 126.8% of GDP for 2009. Examination of economic figures led to the conclusion that the growth in previous years had been overinflated and the budget deficit had been underestimated because of the improper classification of certain amounts (expenses) and the enormous public expenditure.

Due to its sizeable debt and unmanageable interest rates on the international bond markets, fueled in part by the global financial crisis, Greece requested financial assistance from its euro zone partners and the International Monetary Fund (IMF). In May 2010 a financing package for Greece for EUR 110 billion was announced. In exchange, Greece agreed to implement a fiscal austerity package and economic reforms which were outlined in a binding memorandum of understanding (MoU). The EU-IMF loan facility is to be paid in installments commencing May 2010 and ending in the second quarter of 2013. The quarterly installments are subject to compliance by the Greek government with the provisions of the MoU. Compliance will be reviewed and evaluated regularly by a tripartite committee drawn from the European Commission, the European Central Bank and the IMF.

Among other measures, investment incentives were recently introduced to encourage growth and development for economic recovery (outlined later in this chapter). Although the recession is expected to continue and unemployment to increase in the short run, the recently introduced incentives and other measures are aimed at encouraging a permanent recovery.

One of the national strategic targets has traditionally been the establishment of Greece as an international center for education, tourism, shipping, banking, and commerce. Other strong economic sectors include agriculture, services, manufacturing, high tech, construction, and those related to natural resources. Greece has also been striving to serve as the region's energy hub within the framework of the Athens Memorandum, which aims to create institutions for the operation of an integrated electricity market in South East Europe. Although most economic activity is centered around Athens, as is most of the population, incentives are provided for relocation to and investment in "regional" Greece. Greece is relatively rich in lignite, bauxite and magnesium. Commercially exploitable oil has been found in the northern part of the country and in the Aegean Sea. Oil exploration and exploitation contracts covering other areas of Western Greece were concluded between the Greek State and a number of foreign companies.

The government has expressed its intention to privatize various public entities, such as utilities, public transportation, and banks. Infrastructure projects have either been completed, such as the new international airport at Spata, the Athens Metro and the major motorway that traverses Attica (Attiki Odos) or are underway, such as major national motorways, the expansion of the Athens Metro, the natural gas project, and the modernization of the public telephone and power corporations. Therefore, there are still many opportunities available for investors interested in major infrastructure projects.

### **Government economic and fiscal policy**

The major objective of government economic policy is to continue to reduce inflation (currently at 4.4%), public sector debt and the trade deficit, as well as to complete the privatization of public entities. Recently introduced tax law provides that profits of AE & EPE companies are taxed at a rate of 20% (previously the rate was 24%). Distributed dividends are subject to withholding tax at the rate of 25% (previously 21%). Special rules apply to certain distributions as analyzed in Chapter 5. It is anticipated that this new method of taxation of company profits will



encourage investment and growth through the use of retained earnings.

### **Attitudes toward foreign investment**

Greece is undergoing a period of economic and social reforms required to support its economy. Conditions are being introduced to foster new investments, to create new jobs, to promote regionalization and to boost healthy competition. In order to reduce bureaucracy, Greece has established local Investment Centers with the mandate to facilitate investors to acquire the necessary licenses and permits required by Greek law and has introduced procedures to expedite the establishment of legal entities.

Greece became attractive for foreign investors after it joined the European economic and monetary union (EMU) as the exchange risk was removed. Initially, many Greek companies, particularly in telecommunications, information technology, food, beverages and tobacco and retailing sectors, were acquired by multinationals. Given the Greek economic situation in 2010, foreign investors have mostly limited themselves to mergers and acquisitions of existing companies with very few startups. Arab and Chinese investors interested in accessing the European Union market are negotiating framework agreements with the Greek government, with a major interest in Greek ports and infrastructure. New investments and expansions are being encouraged by recent investment incentive legislation (see below).

### **Incentives for international investors**

Over the last decades, the Greek government has enacted various laws designed to foster growth in certain sectors of the economy, encourage investment in rural areas, and attract foreign investment.

A law introducing Public-Private Partnerships (PPP) was enacted in September 2005. The law lays the foundation for the active development of state-owned real estate and the more efficient provision of public goods and services through partnerships with the private sector.

Furthermore, Law 3775/2009 for the acceleration and transparency of Strategic Investments (fast track investments) was enacted in 2009 and replaced by Law 3894/2010 in 2010. Strategic Investments are implemented either by the Greek State or by the private sector or through a PPP arrangement or by contracts of a mixed nature. Strategic Investments are determined by their importance to and positive impact on the national economy and mostly relate to investments in the construction, renovation and expansion of infrastructure and networks

in industry, energy, tourism, transportation and communication, health services, waste disposal management, high technology applications and innovations. Certain conditions must be met, such as minimum investment capital and the creation of new long term employment positions etc. The approval procedure is expedited and certain tax benefits such as tax exemptions etc can be provided for in the approval decision. (Further details provided under the relevant heading below).

The primary investment incentive law currently in force is Law 3908/2011 introduced in January 2011. The investment incentives provided are in the form of cash grants, lease payment subsidies and tax exemptions. The scope of the law is to assist private investment with the intention of promoting economic development in Greece by encouraging the formulation and implementation of investment schemes to improve business, technological development, competitiveness and regional cohesion.

Enterprises whose investments have already being approved under other incentive laws continue to be regulated by the provisions of those laws.

### **Incentives under Investment Law 3908/2011**

Investment Law 3908/2011 replaced Law 3299/2004 and introduces both substantive and procedural changes to the regime of state aid. The new law provides for the same type of incentives as the previous regime (cash grants, leasing subsidies, and tax relief) except for the cash grant for payroll expenses relating to new employment positions which is no longer provided.

Investment Law 3908/2011 is harmonized with the Regional Aid Map that applies to the EU for the period 2007 to 2013. The Map defines regional aid guidelines as well as maximum permissible limits of state aid.

The incentives depend on the category within which the investment project falls and applicants are in many cases able to select one or more of the available incentives.

Whereas the old law specifically stated the categories of investments to which it applied, the new law applies to all sectors with the exception of those investments that are excluded.

Some procedural changes include:

- Instead of being able to submit applications any time, applications can now only be submitted in April and October except for Substantial

Investment Projects which can be submitted at any time.

- Details concerning the assessment and approval of investment plans as well as the qualifications of the assessors, deadlines for completion of the investments and other procedural matters will be determined by Presidential Decree.
- The manner of payment of the cash grants and leasing subsidies as well as the possibility for advance payments will be determined by Presidential Decree.

### *Types of incentives*

The types of incentives available for qualifying investments are the following:

- tax relief
- cash grant
- leasing subsidy.

The tax relief incentive constitutes an income tax exemption computed on profits before taxes as determined on the basis of tax legislation. The amount of the tax relief is reflected in a tax free reserve.

The above incentives may be granted individually or in combination depending on the nature or category of the investment.

### *Qualifying investments*

Prospective investors should first ensure that their investment qualifies.

The new scheme applies to investments in all economic sectors with some exemptions. In particular, Law 3908/2011 has a different philosophy regarding investments as it only refers to exemptions, whereas Law 3299/2004 referred to some limited exemptions while primarily itemizing permissible investments. The main exemptions under the new Law 3908/2011 are set out in Appendix I.

Investments falling under the new investment scheme are divided into two broad categories, General Investments and Specific Investments.

General Investments are further divided into the following three categories:

- General Business, for which the tax relief incentive is provided
- Technological Development, for which the cash grant and/or the leasing subsidy is provided for up to 80% of the entire subsidy for existing entities or 90% of the entire subsidy for new entities while the balance

of the subsidy is covered by the tax relief incentive, and

- Regional Cohesion, for which the cash grant or the leasing subsidy is provided for up to 70% of the entire subsidy for existing entities or 80% for new entities while the balance of the subsidy is covered by the tax relief incentive.

Similarly, specific investments are further divided into the following four categories:

- Youth Entrepreneurship: This category includes investments submitted for the establishment and operation of small and very small enterprises where at least 50% of the capital is held by individuals under 40 years of age who exclusively manage the company. These investments are subsidized for the first five years of their operation with cash grants (up to EUR 500 000 in total) or leasing subsidies (up to EUR 1 million in total) while Law 3908/2011 provides for specific categories of qualifying expenses which include certain expenses that are not permitted under other categories. The maximum incentive provided in any one year is 33% of the total incentive granted.
- Substantial Investments: This category includes investments of at least EUR 50 million and qualify for one or more of the incentives, on the condition that the cash grant or the leasing incentive does not exceed 60% of the entire aid provided.
- Integrated Long term Business Projects: This category includes long term (2 to 5 years) integrated plans for businesses which have already been operating for at least five years. The investments must be for a minimum amount of EUR 2 million and must include technological, administrative, organizational and business modernization development costs. Tax relief is provided for this category of investments.
- Synergy and Networking: This category includes investments by groups pursuing programs which will either develop competitive business advantages, or best utilize infrastructure created with the aid of national and European financing, or contribute to the adaptation of specific and geographically defined productive activities and services towards a modern financial and technological environment. All incentives are available for this category of investments.

Investments that do not fall under any of the other categories above will come under the General Business Category.

The investment can commence after submission of the application (with

the investor assuming the risk of rejection of the application).

### *Exemptions*

Certain investments exempted under the old investment Law continue to be exempted under the new investment law (e.g. investment in steel, coal, synthetic fibers, public enterprises). Law 3908/2011 provides that problematic enterprises as well as specific business sectors (e.g. building construction, legal and accounting services, production of electrical power from photovoltaic systems, advertising, activities of offshore organizations, etc) are also exempted from its provisions (see list of main exemptions in Appendix 1).

Investments which continue to qualify for aid under the new investment law include those for the establishment, expansion or modernization of three star hotels or hotels which are upgraded to at least three stars. The law also covers investments regarding the modernization of hotels before the expiration of six years from the commencement of operation of the hotel or from the date of issuance of a decision regarding an integrated investment for modernization of the hotel (and not eight years as provided by the old investment Law 3299/2004). Moreover, investments in the health tourism sector also continue to fall under the provisions of the new investment law.

### *Qualifying Expenses*

Expenses which qualify for the incentives provided by Law 3908/2011 for qualifying investments include those for tangible and intangible assets as well as for Research and Development.

The most important provisions are the following:

- A subsidy of up to 40% of the qualifying expenses of the investment for the construction, expansion and modernization of buildings and of special and ancillary facilities as well as for landscaping.
- The leasing subsidy for new mechanical and other equipment is granted for up to seven years and on the condition that the lease agreement requires the lessee to purchase the machinery or equipment upon termination of the lease agreement.
- Intangible assets must be depreciable assets exclusively used for the qualifying investment, owned by the enterprise for a period of at least five years and their cost must not exceed 50% of the subsidized cost of the project (and not 25% as provided for in the old investment Law 3299/2004).

- The new law does not recognize as qualifying expenses some of the expenses which were subsidized under the old investment Law 3299/2004 (e.g. consultant fees for the implementation of the investment with some exceptions).

The main expenses that do not qualify for the incentives provided by Law 3908/2011 are itemized in Appendix 2.

### *Subsidy Levels*

The amount of subsidy provided to each investment depends on the size of the qualifying enterprise (investment vehicle) and on the prefecture in which the investment is implemented. In any case the highest subsidy available is 50% of the qualifying cost of the investment. On this basis, Greece is divided into three zones based on the degree of development of each prefecture with the highest percentages applying to investments implemented in the least developed zones. It should be noted that both the zones as well as the level of subsidies provided under the new law differ from those provided for in Law 3299/2004. The percentage of the investment subsidized depends on the size of the entity, with smaller enterprises being entitled to the higher percentages as follows:

- for zone A (Attica and Viotia) 15% to 25%
- for zone B (prefectures with a gross national product exceeding 75% of the country's average) 30% to 40%
- for zone C (prefectures with a gross national product less than 75% of the country's average) 40% to 45%.

Because there is some discrepancy between the text of the law and the tables set out in the Law due to the thresholds provided for in the 2007 to 2013 Regional Incentives Map of the European Committee 2007-2013 (2006/C 286/04, 23.11.2006), the table set out in the Law should be consulted to determine the actual rate that applies.

The highest percentages are available for investments implemented in some islands and remote or underdeveloped areas where up to 50% of the qualifying investment cost is available.

The total amount of incentives available over a four year period are:

- EUR 10 million for each enterprise, and
- EUR 18 million for a group of associated or cooperating entities for investments carried out in the same region.

The above amounts are doubled for investments falling under the General Business category and these limitations do not apply to Substantial Investments (see below).

### *Conditions for qualification of the investments and evaluation criteria*

With some deviations, Law 3908/2011 maintains the standard requirements set by the old investment law in order for the investments to qualify for the subsidies (filing of application, commencement of implementation, investment plans, contents of investment plans, minimum amount of the investment and the investor's own participation).

More specifically:

- Applications for qualifying investments under the new law are filed in the months of April and October and at any time for Substantial Investments whereas the old law provided that all applications were filed at any time within the year.
- Enterprises which can qualify under the new law, must be established in Greece in the form of either a sole trader, company/partnership or co-operative and must maintain double entry accounting books or an income and expenses book (category B of the Code of Books and Records). Also, businesses which submit business plans exceeding EUR 300 000 (instead of EUR 200 000 which was provided for by the old law) must operate in the form of a company or co-operative.
- The investor's own participation which was provided for by the old investment law is maintained at 25% of the qualifying expenses or of the investment cost where the subsidy is a cash grant or tax relief respectively. On the contrary, Law 3908/2011 does not require own participation in case the investment vehicle is subject to the lease subsidy.
- The minimum amount of the investment is set at EUR 1 million for large enterprises, EUR 500 000 for medium-size enterprises, EUR 300 000 for small enterprises and EUR 200 000 for very small enterprises, i.e. two times the amounts which were provided for by the old investment law.

Especially for investments of General Business, the minimum amount of the investment is set at one half of the above amounts.

Generally, the above amounts may be readjusted by Ministerial Decisions for certain business activities and areas of Greece with limited development and employment.

### *Manner of payment of the subsidies*

The manner of payment of the cash grants and the leasing subsidies as well as the possibility to grant an advance and to assign the subsidy will be determined by Presidential Decree. The payment of subsidies in installments as provided for under the old investment law is not specifically provided for in the new law.

The tax relief benefit is now provided as follows:

The enterprise may benefit from the tax relief commencing in the accounting period in which the decision of completion and initiation of production is issued. During this accounting period, the maximum amount of tax relief used should not exceed one third of the total approved amount.

During the subsequent accounting period the maximum amount of tax relief used cannot exceed two thirds of the approved amount less any amount used in the first accounting period.

The balance of the approved tax relief can be used within 10 or 8 accounting years by new or existing enterprises respectively following the accounting period in which the decision was issued.

The tax relief subsidy is formed from the taxable profits and it is transferred to a tax free reserve.

The new law provides that the above incentives are exempted from any tax, stamp duty or other rights as well as from any other surcharges in favor of the State or third party.

### *Incentives for Substantial Investments*

Under Law 3299/2004, the minimum threshold of EUR 50 million for such investments related to subsidized expenses and not to the amount of the investment in total as now provided for in the new law. As regards the percentage of the subsidies offered for these projects the provisions of Law 3299/2004 continue to apply. However, especially for the part of the investment that exceeds EUR 100 million, the percentage offered for the subsidies is set at 30% (as opposed to 34% as provided for under Law 3299/2004). In particular, Law 3908/2011 provides that:

- for subsidized expenses up to EUR 50 million, 100% of the permitted assistance for the region is granted,
- for expenses exceeding EUR 50 million but up to EUR 100 million, 50% of the permitted assistance for the region is granted, and



- for expenses exceeding EUR 100 million, 30% of the permitted assistance for the region is granted.

The limitations for the total amount of incentives available stated above under the heading “Subsidy Levels” does not apply to Substantial Investments.

### *Procedures and application under the investment incentives law*

Applications are submitted in April and October of each year, (except those for Substantial Investments which can be submitted at any time), either to the General Directorate for Private Investments of the Ministry of Economy, Competitiveness and Maritime or to the Regional Directorates of the Regions of the prefectures where the investment will be implemented, depending on the category of the investment.

Applications must be accompanied by a feasibility study, evidence of payment of the required dues, and any additional supporting documents which should evidence the nature and reason for which a subsidy is requested.

The evaluation of each application will be carried out by the competent authority and the competent consultative committee according to Presidential Decrees to be issued by the Ministry of Economy, Competitiveness and maritime for this purpose. A summary of the decision approving the application is published in the Government Gazette.

### *Infringement of provisions*

Enterprises who receive incentives under the incentive legislation must comply with the obligations set by the law for five years following their submission to the incentives regime or, if applicable, from the end of the period of the leasing subsidy (if it exceeds five years). The obligations include continuous operation, acquisition of equipment at the end of the lease agreement, restrictions on transfers of subsidized assets, approved restructures etc. In case of violation of these obligations, the law imposes serious sanctions (return of subsidy, payment of tax, etc. with the relevant surcharges).

The above penalties also apply in case of capitalization or distribution of the tax free reserves created pursuant to the incentive law.

### **Strategic Investments under Law 3894/2010**

Strategic investments are defined as productive investments which have

significant impact on the overall economy and particularly investments in the construction, renovation, expansion and modernization of infrastructure and networks of industry, energy, tourism, transportation and communications, health services, waste disposal management, high technology applications and innovations. In order for a proposed investment to qualify as a Strategic Investment there must be sustainability of the proposed investment, creditworthiness of the investor, transfer of knowledge and know how, anticipated increase of employment, regional or local development of the country, reinforcement of entrepreneurship and competitiveness in the national economy, introduction of innovative and high technology projects, increase of export activities, and/or protection of the environment and energy savings. Therefore, to qualify for the benefits and the fast track approval procedures, at least one of the following conditions must be met:

- the investment exceeds EUR 200 000 000
- the investment exceeds EUR 75 000 000 and at least 200 new employment positions are created
- irrespective of the initial level of investment, at least EUR 3 000 000 should be invested in a three year period in high technology and innovation projects which form a part of the Strategic Investment
- 250 new long term employment positions to be created
- the investment promotes the environmental protection of Greece
- the investment creates added value for Greece in the fields of education, research and technology.

Strategic Investments are implemented either by the Greek State or by the private sector or by public private partnerships (PPP) pursuant to Law 3389/2005 or by a combination of the above.

A Ministerial Committee for Strategic Investments was established comprising Ministers from several ministries, depending on the nature of the investment, so that decisions can be taken at a high level and in coordination with the relevant Ministries. The Committee is supervised by the Minister of State.

Invest in Greece A.E. is responsible to operate a one stop-shop for strategic investments and for major projects, all under tight implementation deadlines.

Special regulations, procedures and short deadlines apply, including for expropriation of property, which are intended to facilitate the investments and to avoid delays but at the same time protect the rural and urban environment.

Public Strategic Investments are assigned through international open tenders in one phase, without a pre selection stage.

The assignment of the projects or approval of a proposal as a Strategic Investment will be effected by a specific law issued for each such investment which will grant certain tax incentives (such as freezing of the tax regime for a certain period, determination of taxable income based on special terms, creation of capital reserves, special procedures and timing for VAT refunds, reduction or exemption from duties and other special taxes etc.).

## **Other incentives**

### *Shipping industry*

Profits earned by Greek companies from the operation of ships registered under the Greek flag are subject to a special tonnage tax which satisfies the income tax obligation of the ship owner and shareholder with respect to such income. The exemption applies to income from operating a ship, profit on the sale thereof and receipt of insurance claims. The tax is assessed on the basis of the capacity and the age of the vessel. Exemptions from, or a reduction in, the tax are granted in certain circumstances, such as when the ship is built or repaired in Greece.

Furthermore, the shipping industry enjoys more favorable terms of financing and certain incentives are anticipated for the modernization and development of shipyards.

### *Engineering and civil construction companies*

Offshore engineering and civil construction activities of foreign technical companies established in Greece benefit from a complete tax exemption (with the exception of stamp duty), provided their personnel is composed of at least 80% Greek citizens in total and at least 60% in each personnel category. Furthermore, such companies must deposit a special guarantee with the Ministry from a recognized bank in Greece and import a minimum amount of US\$ 50 000 annually to cover expenses.

### *Scientific research enterprises*

The tax exemptions applicable to Engineering and Civil Construction companies also apply, subject to certain conditions, to certain enterprises

established for the purposes of carrying out scientific studies and which carry out such services outside Greece.

### *Construction and operation of airports, metros, bridges, highways*

Companies involved in these activities are granted certain tax benefits by specific laws which ratify the relevant construction contract. The tax benefits range from exemption from capital concentration tax, stamp duty, income tax on interest from deposits until the year of commencement of operation of the project, special depreciation rules, to the exemption of foreign residents from any withholding tax in Greece on interest on loans granted to such companies.

### *Leasing companies*

No stamp duty is levied on leasing contracts, assignments of leasing contracts and leasing rentals. Investment Incentives Law 3908/2011 provides incentives in the form of leasing subsidies, which cover part of the installments payable relating to a lease that has been entered into for the use of new mechanical and other equipment for up to seven years under the condition that the ownership of the assets is transferred to the lessee at the expiry of the lease.

### *Venture capital companies*

Companies established under Law 1775/1988, as amended, are eligible for subsidies of up to 30% of their investments in advanced technology or innovative enterprises. These companies may transfer to a tax free reserve an amount equal to 3% of the value at year-end of guarantees granted to, or securities held in, enterprises undertaking investments in high technology or innovative enterprises. Such tax-free reserve can be reduced without tax implications if the amounts by which it is reduced are recorded in accounts concerning further qualifying investments and guarantees. Interest earned from bonds issued by such companies is not subject to income tax. Any individual or corporation participating together with a Venture Capital company in effecting qualifying investments may deduct 50% of their investment from their income for tax purposes. However, only up to 25% of the investment may be deducted in any one year and the amount deducted may not exceed 50% of their total annual turnover or earnings.

Venture Capital companies can also be established under Law 2367/1995. These companies may invest in companies registered in Greece that are not listed on the Athens Stock Exchange (ATHEX) and that engage in agricultural, industrial, mining, handicraft, hotel or other commercial

activities. These companies have been and continue to be subject to income tax at the rate of 20%. In addition, they are eligible for subsidies of up to 20% of their investments in advanced technology companies or innovative enterprises.

### *Portfolio investment companies*

Portfolio Investment companies are established under Law 3371/2005 and are exempt from all tax, stamp duties and contributions to the state or any other third party, with the exception of capital concentration tax, VAT and the relevant contributions to the Capital Market Committee.

Portfolio Investment companies are taxed at a rate equal to 10% of the intervention interest rate (Euribor rate) set by the European Central Bank increased by one point. In the event the intervention rate changes, the new tax base applies from the first day of the month following the month in which the change was effected.

The tax is calculated on the fund's average semi-annual investments (including available funds at current values), and is payable in the first 15 days of July and January. This tax is final for both the fund and the investors.

In case tax has been withheld for dividends received by the fund, this tax is set off against the tax that is payable in July. Any tax not set-off is not refunded but can be set-off in subsequent years.

Withholding tax on interest does not apply with the exception of interest on bonds if the bonds are acquired up to 30 days prior to the day which is set for interest payment.

### *Mutual funds*

Mutual funds are established under Law 3283/2004. The creation of a mutual fund, as well as the purchase and sale of units, are exempt from any kind of tax, duty, stamp duty, contribution, right or any other charge in favor of the State, public law entities, or any other third party. Mutual funds, however, are taxed at a rate equal to 10% of the Euribor rate increased by:

- 0.25 points for bond funds
- 0.5 points for mixed funds
- one point for stock funds and real estate mutual funds.

In case either the intervention rate or the classification of the fund changes, the new tax base applies from the first day of the month

following the month in which the change was effected. The tax is calculated daily on the semi-annual average net asset value of the fund and is payable in the first 15 days of July and January. This tax is final for both the fund and the investors.

In case tax has been withheld for dividends received by the fund, this tax is set-off against the tax that is payable in July. Any tax not set-off is not refunded but can be set-off in subsequent years.

Withholding tax on interest does not apply, with the exception of interest on bonds if the bonds are acquired up to 30 days prior to the day which is set for interest payment. No other taxes or duties are applicable.

### *Portfolio investment companies and mutual funds investing in real estate*

These entities are established under Law 2778/1999 as amended and they invest mainly in real estate.

Real estate mutual funds (mutual funds investing in real estate) are exempt from real estate tax and the transfer of real estate to the fund investing in real estate is also exempt from any tax, duty, stamp duty, contribution, or any other kind of charge in favor of the State, public law entities, or any third party. However, this exemption does not apply to tax on the gain, if any, arising when real estate is contributed as capital. The exemption may not apply to VAT upon sale of new buildings to the fund.

Portfolio Investment companies investing in real estate are taxed at the same rate and on the same base as ordinary portfolio investment companies except that the tax is accounted for on a semi-annual basis and payable within 15 days following the end of the relevant six-month period.

### *Closed ended mutual funds investing in companies*

Closed ended mutual funds investing in companies are governed by Law 2992/2002 which provides that such investments are not subject to any kind of taxation. Any income the unit holders realize in their capacity as co-owners of the fund's assets is subject to tax in their hands. The transfer or other transaction in the units is treated for tax purposes as a transfer/transaction on the related ownership on the fund's assets. Participation of non-resident unit holders in a closed ended mutual fund investing in companies should not entail the creation of a permanent establishment (P.E.) in Greece.

### Investment of foreign capital

Capital movements to and from Greece have been liberalized. Importation of foreign currency is unrestricted. Exportation of foreign currency is also unrestricted on condition that it must be effected through commercial banks that will check the authenticity of the transaction. Under the provisions of Presidential Decrees 96/1993 and 104/1994 concerning the freedom of movement of capital between Greece and foreign countries, the repatriation of capital arising from the liquidation of an investment and the export of profits, dividends and interest by persons residing outside of Greece is permitted.

There is no need to obtain prior approval regarding investments made in Greece by non residents and there are few restrictions on foreign investment participation.

The following are areas where restrictions apply:

- ownership of real estate in border areas by non-EU nationals
- ownership of shares in real estate companies investing in border areas by non-EU nationals.

There are also limitations for non-EU nationals participating in airline, shipping and mining companies.

### Law 89 Offices

According to the revised provisions of Law 89/1967 that came into effect on 1 January 2006, foreign entities may establish a presence in Greece with the sole purpose to provide to their head office or any other affiliated company, not established in Greece, specific services such as consulting, centralized accounting support, quality control of production, processes and services, advertising and marketing, drafting of studies, plans and contracts, receiving and providing information, data processing and research and development. For more information refer to the Offshore Entities section in chapter 4.

### Mergers

Legislative Decree 1297/1972 was enacted to encourage mergers and acquisitions of business entities for the purpose of creating larger and more efficient entities. This law has been extended several times since it was initially introduced and it currently expires on 31 December 2011. It is possible that a further extension could be made. The incentives provided are exemptions from stamp duty, transfer tax on real estate and the deferral of income tax on gains arising from the revaluation of assets

at the time of the merger until the dissolution of the company or the distribution of the gains. These benefits apply on condition that the company resulting from the merger will have a paid up capital of at least EUR 300 000 in the case of a Société Anonyme (S.A/AE) or at least EUR 146 735 in the case of a Limited Liability Company (EPE) and, in most cases, that 75% of the AE shares or the EPE parts will not be transferable during the five years following the merger. The restriction on the transferability does not apply to the merger of AE companies.

The incentives apply not only in cases where two or more entities are merged but also where an entity is converted from its existing legal form into an AE or EPE.

By virtue of Law 3220/2004, the scope of the application of Legislative Decree 1297/1972 is extended to the merger of AE companies by absorption, when the absorbing company is mainly active in the construction or exploitation of any kind of real estate and under the condition that the absorbed company is not engaged in the same activities as the absorbing company.

Law 2166/1993 also provides benefits for the transformation of companies (conversions, absorptions, mergers, demergers, contributions).

The main benefits of Law 2166/1993 are:

- assets and liabilities are transferred to the new company at book values confirmed either by a certified auditor or by the tax authorities and thus no revaluation gain arises
- exemption from real estate transfer tax, stamp duty and other taxes imposed on contracts.

This alternative procedure of law 2166/1993 is shorter and simpler than that of L.D. 1297/1972 and does not include restrictions on the subsequent transfer of shares. However, it has the additional requirement that the businesses being transformed must have maintained double entry accounting books and must have published at least one set of financial statements for a period of at least 12 months and the disadvantage that the absorbing company waives its right to utilize existing tax losses.

Law 2578/1998, as amended by law 3517/2006, implemented the EU Mergers Tax Directive (Directive 90/434 and Directive 2005/19 amending Directive 90/434) into Greek law and applies to mergers, demergers, partial demergers (transfers of one or more branches of activity),



contribution of assets and exchange of shares between companies established in different EU member states, as well as to the transfer of the registered office of European Companies (Societas Europaea or SE) or European Cooperative Companies (Societas Cooperativa Europea or SCE) from Greece to another EU member state. The conversion of a branch into a subsidiary falls within the meaning of contribution of a segment. Accordingly, any gains that arise from a merger, demerger, partial demerger or contribution of assets by a Greek corporation (AE) or a limited liability company (EPE) to a company resident in another EU member state is not subject to Greek income tax.

The same exemption applies to the contribution of a permanent establishment (branch) in Greece by a foreign company resident in an EU member state to a company resident in another EU member state including Greece. The exemption does not apply to a Greek company that contributes its permanent establishment (branch) situated in another member state to a company resident in another EU member state. When the transferred assets of a Greek AE or EPE company also include a permanent establishment (branch) situated in another EU member state, any gains arising from the transfer of the permanent establishment is subject to Greek income tax. However, the tax that would have been imposed in the other EU member state if the provisions of this law were not applicable will be offset. Tax losses of a Greek AE or EPE transferring company may be offset against the taxable income of the permanent establishment of the receiving company in Greece provided that such possibility also applies to reorganizations of domestic companies effected pursuant to Laws 2166/1993 and 2515/1997. Furthermore, the gain arising in favor of the receiving company due to the cancellation of its participation in the transferring company's capital is not subject to Greek income tax, provided that the receiving company holds a minimum participation in the capital of the transferring company of 10%.

Special provisions apply to foreign companies which are considered by the Greek tax authorities as fiscally transparent. The provisions of paragraph 1 of article 3 and paragraphs 2 and 3 of article 6 of L.D. 1297/1972, as in force, apply to the operations provided for in Law 2578/1998.

EU cross border merges regulations were adapted by Law 3777/2009. The tax benefits of Law 2578/1998 apply to cross border mergers.

Law 2515/1997 (article 16) regulates the mergers between Greek banks, the contribution of a Greek branch to a bank resident in an EU Member State and the transformation of a Greek branch of a foreign bank into

a Greek bank. The incentives under Law 2515/1997 are similar to those provided under Law 2166/1993.

According to Law 3296/2004, which was enacted to encourage mergers of medium size enterprises of any legal form (excluding AE companies) into partnerships, EPE or AE companies, the profits of the newly established entity that arise in the first period following the completion of the transformation are subject to the applicable corporate income tax rate reduced by 10 percentage points, whereas the profits that arise from the second period are subject to the applicable corporate income tax rate reduced by 5 percentage points, provided that certain conditions apply. The provisions of Law 3296/2004 apply to mergers which will be completed by 31 December 2011.

### **The local banking system and sources of finance for commerce and industry**

The major source of financing for commerce and industry are banks, followed by the Stock Exchange. Since 1988, legislation has promoted the establishment of Venture Capital Companies.

#### *The banking system*

The Greek banking system operates in a deregulated environment, although limited control is still exercised by the government through the Bank of Greece. This control is exercised directly through banking regulations which reflect the Government's short term goals of economic and monetary policy.

Current regulations cover:

- reserve requirements/capital adequacy
- foreign exchange control
- loans (to a small degree)
- deposits.

There are presently approximately 35 Greek banks (including cooperative banks), and approximately 25 foreign banks operating through one or more branches in Greece. In addition, a number of foreign banks maintain representative offices. Greek banks account for a very high percentage of the total volume of loans and deposits. Foreign banks traditionally concentrated on internationally oriented business with shipping companies, multinational corporations and large Greek industrial and public sector corporations. However, with the liberalization of banking regulations, and the establishment of the Eurozone, foreign banks expanded their operations in the local market. Banking related activities,

such as leasing, factoring and forfaiting have been in existence for many years and a derivatives market has also evolved.

In the past, the lack of a developed capital market led industry to rely largely on bank loans for a high proportion of funding. Although the capital market's activities increased in recent years, the commercial banks still remain the primary source of finance for Greek industry and commerce.

### *The stock exchange*

The Athens Stock Exchange S.A. (ATHEX), established in 1876, is the main securities market in Greece. Currently, there are three groupings of securities, the "Big Capitalization" category ("Big Cap"), the "Medium and Small Capitalization" category (Mid & Small Cap), and the "Special Stock Exchange Characteristics" category.

The role of the stock exchange in Greece as an avenue for investment and a source of funds for companies had been strengthened over the last decades by modernizing and upgrading legislation, resulting in a significant increase in the volume of transactions in shares and bonds. Currently there are approximately 70 companies in the Big Cap category, 155 in the Mid & Small Cap category and just over 10 in the Special Exchange Characteristics category. There are also several debt securities listed, primarily (tax-free interest) bonds of the Greek Government and state-controlled public utility enterprises. Most of these bonds are actively traded between banks in the interbank market.

Various factors contributed to the development of the stock exchange, especially in the late 1980s and during the 1990s, in line with the worldwide trend for small developing exchanges. Some of the factors that contributed to a more favorable atmosphere for investing in the stock exchange at that time were the listings of bonds and bond loans, the good performance of certain listed companies coupled with the quick capital appreciation that new listings offered, the listing of shipping companies, the tax-free income of profits distributed by Portfolio Investment Holding companies and Mutual Fund companies, the reduction of the transfer tax imposed on the sale of listed shares, the enactment of Law 3401/2005 which implemented into Greek law the EC Directive 2003/71 and the close supervision of the capital market by the competent supervising authorities. In recent years due to the downturn in the economy, new listings are limited and transactions have decreased.

The laws and regulations governing the securities market and listing of shares were amended in compliance with EU directives and regulations.

The requirements for companies seeking to list their shares on the ATHEX for the first time in the Mid & Small Cap category, as specified by Law 3371/2005 and the ATHEX Regulation, may be briefly summarized as follows:

- The company must be a Greek "Anonymos Eteria" or an equivalent foreign entity with a minimum equity of EUR 3 million on a consolidated basis.
- The company must have published at least three annual financial statements audited by a certified auditor and have a satisfactory structure of assets in its last balance sheet. In case the company has published consolidated financial statements, these must be audited by a certified auditor as well as the financial statements of the companies included in the consolidated financial statements. The Capital Market Committee may allow, under certain conditions, the listing of companies which have been in existence for less than three years (including those that must be listed such as Portfolio Investment Companies).
- All financial years with the exception of the most recent one for which financial statements have been published must have been audited by the tax authorities. In the case of a foreign entity, the relevant audit should be carried out by an internationally recognized auditing firm which prepares a special tax report for tax liabilities.
- The cumulative pre-tax profits of the company of the previous three years must be at least EUR 2 million and there must be taxable profits for the previous two accounting periods or EBITDA for the previous three years must be at least EUR 3 million and EBITDA must be positive for the previous two accounting periods on a consolidated basis.
- Before a decision for the listing of the shares is taken, the shares of the company must be dispersed over an adequate number of shareholders. Adequate dispersion exists when at least 25% of the shares are held by a minimum of 2 000 people. Under certain conditions, the Capital Market Committee may allow the listing of the shares which have a lower dispersion but in any case not less than 5%.
- An underwriter who will acquire a Market Maker license for the specific shares should be appointed as sponsor of the company for the two (2) years following the initial listing on the ATHEX.
- A number of documents, including financial statements for the last

three years, articles of association etc, must be submitted to the ATHEX together with the application for listing. Moreover, under Law 3401/2005, companies are required to publish a prospectus in line with Commission Regulation 809/2004, which shall be approved by the ATHEX and the Capital Market Committee. Securities already listed on other EU stock exchanges can use their existing prospectuses.

- A shareholder who holds more than 5% of the shares of the company prior to listing cannot transfer more than 25% of such shares in the first year following the listing.
- The company must comply with corporate governance provisions.

The requirements for companies seeking to list their shares on the ATHEX for the first time in the Big Cap category are in general the same as those of the Mid & Small Cap category, but with the following additional requirements and/or deviations :

- The company must be a Greek "Anonymos Eteria" or an equivalent foreign entity with a minimum equity of EUR 15 million on a consolidated basis.
- The cumulative pre-tax profits of the company of the previous three years must be at least EUR 6 million and there must be taxable profits for the last two accounting periods or EBITDA of the last three years must be at least EUR 8 million and EBITDA must be positive for the previous two accounting periods.
- Total capitalization must be at least EUR 150 million.
- Companies which fulfill the first two criteria above are exempted from the obligation to appoint a sponsor for the two years following the initial listing on the ATHEX and from the prohibition on the transfer of shares by shareholders holding more than 5% of the shares.

Following the listing of the shares, the shares are placed in the Special Stock Exchange Characteristics category if any of the following criteria are met:

- The average closing price falls to less than EUR 0.30 for three consecutive days.
- There is a reduction in the dispersion of shares to less than 15% (and in some cases to less than 10%) of the listed shares.
- Annual turnover is less than EUR 2 million.

In the case of a public offering, the total value of the shares to be offered to the public must be at least EUR 2 million. Holding companies whose capital is invested in other listed companies cannot be listed on the ATHEX with the exception of Portfolio Investment Holding companies.

Foreign companies whose shares are not listed on a foreign stock exchange may be listed on the ATHEX under the same conditions applying to Greek companies.

Corporate governance legislation was initially introduced in 2002 (and subsequently modified several times including by Laws 3693/2008, 3873/2010 and 3884/2010) which regulates the structure of the Board of Directors, the introduction of non-executive and independent directors and the obligation to establish proper procedures and a system of internal control, and an internal audit department for all corporations listed on the ATHEX.

### **Restrictions on international investment (exchange controls)**

The importation and exportation of foreign currency into and from Greece is unrestricted. However, all remittances of foreign exchange must still be effected through commercial banks, which will review the authenticity of the transactions and request supporting documentation. Receivables may be used to offset payables in foreign exchange.

#### *Foreign currency earnings*

Greek exporters of goods or services are permitted to maintain all their foreign currency receipts in foreign currency bank accounts with banks operating either in Greece or abroad.

Similarly, all other profits, commissions, or other benefits in foreign currency earned by Greek residents from the provision of services in Greece, or rents from the leasing of immovable property in Greece, or the proceeds from the sale thereof to persons established abroad, may be deposited in foreign currency accounts.

#### *Foreign currency accounts*

Both residents and non-residents may maintain foreign currency accounts with banks in Greece. Such accounts may be credited with any foreign currency which arises from Greece or abroad, including foreign bank notes and foreign exchange which is purchased with Euros. The funds and interest thereon may be freely transferred abroad by residents and non-residents.

### *Residents*

There are restrictions on the amount of foreign currency which residents may carry as traveling allowances for holidays or business. Currently the amount is the equivalent of EUR 10 000 for each trip without the need to provide supporting documentation.

Persons permanently residing abroad are permitted to freely re-export checks and letters of credit in foreign currency, which are issued directly in their name (not by endorsement) as well as travellers' checks in their name. Foreign banknotes up to a certain amount, not declared upon entry into Greece, may be carried by non-residents on leaving Greece, provided they have not remained in Greece for more than one year.

### *Current transactions*

Payments to EU residents and non-EU residents for purchased goods and services including construction, engineering, information, services, remittances of profits and dividends are freely permitted. Prior permission of the Bank of Greece is not required for purposes of monitoring such payments and transfers and all payments are effected through commercial banks that are responsible for reviewing the authenticity of such transactions.

### *Greek residents investing abroad*

Greek residents are allowed to make business investments, investments in real estate and in securities abroad. Greek residents may deposit the proceeds of the liquidation of such investments in an account kept with a credit institution operating in Greece or abroad.

### **Business regulations**

The use of company names is subject to prior approval from the local Chamber of Commerce. A license or authorization is required before companies can carry out business in certain sectors such as banking, insurance, defense, oil exploration and photovoltaic energy. Also, securing licenses in certain sectors may require a minimum participation by EU residents.

### *Trade practices*

As a means of protecting consumers and in an attempt to curb inflation, price controls have been imposed in the past on a wide range of essential products and services. Such controls have taken the form of setting either maximum selling prices or maximum profit margins.

Progressively, price controls have been relaxed in Greece and today only

a few products (mainly pharmaceuticals) are subject to price controls.

Other controls, over quality, product labeling, safety, and advertising are also exercised by the Government. The controls are primarily exercised by the Ministry of Regional Development and Competitiveness through its "Consumer Protection" and "Price Control" departments and the "Public Health Office" as well as by the Ministry of Health through the "State Laboratory for Drug Control".

### *Anti-trust legislation*

Greek legislation prohibits business agreements or practices that directly aim at or indirectly result in the hindrance of free competition and also prohibits monopolies, mergers and purchase of shares that result in the hindrance of free competition.

Prohibited monopolies, mergers, agreements and practices include those which restrain production, sales, prices, the allocation of supplies, resources or markets, obtaining or offering of additional uncontracted remuneration and the unjustifiable refusal to buy or sell goods and services.

Any concentration of business entities must be announced within 10 days to the Competition Committee if the annual turnover of the "concentrated" companies worldwide is at least EUR 150 million and at least 2 of the "concentrated" companies have an annual turnover of more than EUR 15 million each in the national market.

The Competition Committee must be notified within one month if a) the market share concerned represents at least 10% of the total turnover of products or services that are deemed similar by consumers or b) the total turnover of all entities which participate in the market concentration will be at least EUR 15 million.

The Competition Committee, an independent authority supervised by the Ministry of Regional Development and Competitiveness, monitors adherence to anti-trust regulations, violations of which can result in fines and imprisonment of the persons responsible.



## Chapter 3

# Exporting to/from Greece

### Duties

Imports from EU Member States are exempt from all duties. Imports from non-EU countries are regulated by the Community Customs Code, the Common Customs Tariff and the Greek Customs Code, which has been harmonized with Community customs legislation.

When applicable, import duties are calculated on the customs value of the imported goods, which is the transaction value plus all other expenses incidental to the purchase and delivery of the goods to Greece (commissions and brokerage, cost of transport and insurance). The rates of import duties vary depending on the classification of the imported goods pursuant to the combined provisions of the Common Customs Tariff and the Integrated Tariff of the European Communities (Taric).

Special rules apply when goods are placed in customs controlled free zones and free warehouses, thus avoiding payment of any duties, taxes, or VAT until the goods are released. Payment of such amounts may be avoided altogether even when goods are released depending on their ultimate destination. Special rules also apply for temporary importation or for processing.

### Use of agents and representative offices

Duties and VAT must be paid at the time goods are cleared through customs. The use of agents and customs brokers is common. Although an import license is not required, terms of payment must normally be arranged through a commercial bank.

Even though acquisitions from EU countries are no longer considered imports as such, terms of payment for such transactions must also normally be settled through commercial banks.

Sales to EU VAT residents are not subject to VAT in Greece provided that the VAT registration numbers of the supplier and purchaser are shown on the invoice. Where goods are purchased from an EU resident supplier, VAT is not payable at the border but must be accounted for using

the reverse charge mechanism.

As of 1 January 2006, companies subject to VAT which are not situated in Greece, but are situated in another EU Member State, do not have the obligation to appoint a tax representative, in order to comply with their Greek VAT obligations. Furthermore, such companies do not have the obligation to maintain books and records according to Greek law. However, they are obliged to obtain a Greek tax (different to VAT) registration number as they are subject to VAT in Greece. The tax registration number issued to a specific taxable person remains the same even if a tax representative is appointed or changed or terminated.

Pursuant to the above, a Ministerial Decision must still be issued, which will stipulate the procedural aspects and provide guidance on the implementation of the new VAT registration and compliance process following the abolishment of the VAT agent requirement. At the date of this publication the respective Ministerial Decision had not yet been issued and thus in practice the appointment of a VAT agent is still required. However, based on a recently issued Ministerial Decision, there is no obligation to maintain Greek books and records.

Companies established in another EU Member State (with no establishment in Greece) may nevertheless choose to appoint a tax representative to carry out their obligation for the payment of VAT in Greece.

## **Import-export controls**

### *Imports*

Restrictions over imports are imposed only in limited cases, in compliance with quantitative quotas, agricultural and commercial policy measures, tariff quotas and tariff ceilings laid down at EU level. The import or export of products that are subject to quantitative quotas require the issuance of a license by the appropriate department of the Ministry of Finance. In addition, certain goods such as firearms and explosives are subject to special rules or require product clearance prior to importation.

Customs authorities are authorized to carry out all the controls they deem necessary to ensure that customs legislation is correctly applied (inspections of the imported goods and their accompanying documents and samples). Customs authorities are also empowered to carry out controls and investigations subsequent to the importation. As of 1 January 2011, Greece has implemented the Import Control System (ICS) of the EU.

Anti-dumping measures are imposed in compliance with EU anti-dumping legislation. Similarly, countervailing duties are imposed in compliance with the anti-subsidy measures adopted at community level for the protection of the common market from subsidized imports from non-EU countries.

### *Exports*

Entrepreneurs who wish to export goods from Greece to non-EU countries in general need to qualify as exporters and must register with the Special Exporters Registry in Greece. If a potential exporter is a foreign enterprise, it must first register for VAT purposes in Greece through the appointment of a Greek VAT representative, who will be responsible to effect the registration with the Special Exporters Registry in Greece on behalf of the foreign entity.

## Chapter 4

# Business entities

There is a variety of legal forms under which a foreign enterprise may establish and operate a business in Greece, such as forming a local company or partnership, a Greek branch, or entering into a joint venture with another enterprise. Foreign enterprises can also establish a presence in Greece with the sole scope of activity being to provide certain services (for example, consulting or processing to their head office or any other affiliate company not established in Greece).

An entity with its registered place of business in Greece is normally considered to be a Greek entity despite the fact that all of its members may be foreign. There are generally very few restrictions as to the participation of foreign individuals or entities in Greek entities.

### **Corporation - Anonymos Eteria (AE)**

An Anonymos Eteria is a legal entity in which the liability of a shareholder is limited to the amount contributed to the share capital. This entity is the equivalent of the French "Société Anonyme" or the German "AG". The formation, operation and dissolution of an AE is regulated by Law 2190/1920.

#### *Formation of an AE*

The procedures involved in the establishment of AEs are currently being simplified and it is anticipated that by early 2012, all actions required for the establishment will be carried out by the Notary Public who is considered as the One Stop Authority, including for the purposes of making most payments and submitting all documents and applications to the authorities involved in the establishment. The One Stop Authority will interface with the other authorities as applicable and short deadlines will apply for the completion of the procedures.

In general, the following are required:

- Temporary registration of the corporate name with the Chamber of Commerce.

- Preparation and signature by the founders before a Notary Public of Articles of Incorporation which must include provisions relating to the:
  - Corporate name: this must necessarily include the words "Anonymos Eteria".
  - Duration of the corporation: the length is not prescribed but it usually varies from 20 to 50 years which may later be extended.
  - Corporate purpose (objects of activity).
  - Share capital and the number and nature (registered or bearer) of the shares to be issued.
  - Composition, operation and authorities of the Board of Directors and of the General Meeting of the shareholders.
- Payment of capital concentration tax to the tax authorities equal to 1% of the capital.
- Registration of the corporation with the Corporations' Registry maintained with the Ministry of Regional Development and Competitiveness (or the General Commercial Registry once it becomes fully operational).
- Receiving establishment approval from the Ministry of Regional Development and Competitiveness (only for specific corporations such as Banks, insurance companies etc.).
- Publication of the establishment in the Government Gazette.

The corporation's establishment for corporate law purposes is considered to have been completed upon the registration of the Corporation with the Corporations' Registry or the General Commercial Registry once it becomes fully operational.

The Articles of Incorporation of an AE can be executed by one or more founding shareholder(s), either individuals or legal entities. If incorporated by more than one shareholders, all its shares may be subsequently held by one shareholder.

### *Share capital*

The minimum share capital required for the establishment of an AE is currently EUR 60 000, the full payment of which must be certified by its Directors within two months from the date of incorporation. Special laws prescribe higher minimum capital requirements for AEs with particular

business activities, for example banking institutions, insurance companies etc. Partial payment of share capital in excess of the legal minimum is permitted under certain conditions.

An AE wishing to raise capital through a public offering or a public bond must comply with the applicable provisions regulating public offerings of securities.

Capital may be contributed in cash or in kind. Partial payment of the company's capital through contributions in kind is not permitted. Contributions in kind can be valued either by a special committee appointed by the Ministry of Regional Development and Competitiveness or by two Certified Auditors or by two appraisers of the Body of Certified Appraisers.

The share capital of an AE is divided into either bearer or registered shares with a nominal value ranging between EUR 0.30 and EUR 100 per share. Shares cannot be issued below their par value. Banking companies, insurance companies, railway and airline companies, educational and health institutions, casinos, real estate companies, leasing and factoring companies, licensed television and radio broadcasting companies, certain suppliers to the public sector, certified auditors, telecommunications companies, airports and utilities are obliged to have registered shares. Similarly, the shares of certain types of AEs must be listed on a regulated market, for example Portfolio Investment companies.

In addition to common shares, an AE may issue preferred shares (with or without voting rights) and founders' shares. Preferred shares are entitled to total or partial distribution of dividend prior to common shares and to the return of capital contributions, in case of liquidation, before those of common shareholders.

Preferred shares may also confer other rights such as a right to payment of cumulative dividends, or fixed dividends; they may also be issued as participating, that is, having the right to share in the profits of the company, or as interest-bearing, that is, having a right to fixed interest etc. Founders' shares are non-voting, no-par value shares conferring to their holders solely the right to participate in a percentage of the net profits of the AE. The number of the founders' shares issued cannot exceed 10% of the total number of shares and may be redeemed by the AE ten years after their issuance.

An AE may under certain circumstances acquire its own shares or the shares of its parent (for example, the nominal value of the shares acquired

cannot exceed 10% of the paid up capital unless the shares acquired will be distributed to employees etc.). The Articles of Incorporation may also provide for the increase of the capital through the issue of redeemable shares under certain circumstances.

### *Administration and annual meetings*

The administration of an AE is carried out by the Board of Directors and by the shareholders at general meetings. The management of the AE is vested in the Board of Directors. The members of the board are elected by the shareholders for a period not exceeding six years, but they may be re-elected or removed from office at any time by a majority of shareholders at a general meeting. Although there are no residence requirements for Board members, those who will be appointed as legal representatives of an AE must be EU citizens or obtain a Greek residence permit.

The Board of Directors must consist of at least three members (there is no maximum number of board members stipulated by law), who can be individuals or even legal entities if so provided for in the Articles of Incorporation. Deputy members can also be appointed under certain circumstances. A valid meeting requires a quorum of half the board members plus one present or represented at the meeting, provided that at least three directors are physically present. The Board can also hold meetings by teleconference if provided for in the Articles of Incorporation or if all members agree. The Board must hold meetings at the registered office of the corporation. The Board may, however, meet elsewhere in Greece or abroad if permitted by the company's Articles or if all the members of the Board are present or represented at the meeting and so consent. Written minutes must be kept evidencing the adoption of all decisions of the Board. Furthermore, instead of holding meetings, written minutes can be signed by all directors or their representatives.

The Board of Directors of companies whose shares or other securities are listed on the Athens Stock Exchange (ATHEX) must consist of executive directors, who are entrusted with the running of the day-to-day business of the company and non-executive directors, who are entrusted with the promotion of all corporate issues. At least one third of the Board must consist of non-executive directors, while at least two of the non-executive directors must also be independent. Each company is obliged to submit to the Capital Market Committee the minutes of the General Meeting of Shareholders which elected the independent members of the Board as well as the minutes of the Board of Directors meeting in which the Board was constituted as a body appointing executive or non-

executive directors, within twenty days from the day of the meeting of the Board of Directors, in order for the Capital Market Committee to monitor the company's compliance with laws.

Furthermore, such companies are obliged to maintain an Internal Operation Regulation which is adopted by a decision of the Board of Directors and includes as a minimum a description of the internal structure of the company, the scope of work and the interrelation between the company's departments/service lines and management, as well as the duties of the executive and the non-executive directors, the procedures for hiring and performance evaluation of senior executives and for monitoring transactions of senior management and employees, the rules for governing and for monitoring transactions of the company with its affiliated companies and all other issues required by law.

Listed companies must also have an Internal Audit Department, the members of which are appointed by the Board of Directors and supervised by one to three non-executive members of the Board. The main responsibilities of the Internal Audit Department are to monitor the company's compliance with the Internal Operation Regulation, the Articles of Incorporation and corporate and capital market legislation and to report to the Board of Directors any case of conflict between the company's interests and the interests of the members of the board and executives.

Failure to comply with the relevant obligations of the law on Corporate Governance will result in penalties being imposed on the members of the Board or on any third person entrusted with certain responsibilities by the Capital Market Committee.

The General Meeting of Shareholders is the supreme governing body of the company which, apart from electing the Board of Directors, has the exclusive authority to decide on important issues affecting the company, such as:

- amendments to the Articles of Incorporation
- increases/decreases of share capital
- change of the company's nationality
- distribution of profits
- mergers and other company transformations
- extension of the duration or voluntary dissolution of the company
- appointment of independent external auditors.

The annual General Meeting of Shareholders must be held within six months from the end of the fiscal year. Extraordinary Meetings of



Shareholders may be called by the Board, whenever the Board deems it necessary. The Board is obliged to convene an extra-ordinary meeting of shareholders at the request of the company's auditors or of shareholders representing at least one-twentieth (one-tenth if the AE is audited by a certified auditor) of the paid up share capital of the AE. Any shareholder(s) or third person(s) having a legal interest may apply to the courts to annul a decision of the general meeting. Additional rights exist for minority shareholders representing at least one-fifth of the fully paid-up share capital.

### *Management liability*

Any member of the Board of Directors is personally liable for his willful or negligent acts or omissions, which have caused damage to the AE. A Director is especially liable towards the AE if the financial statements of the AE do not present a true and fair view of its affairs. The extent of liability depends on the position and duties of the Director. The Managing Director and the Chairman of the Board of Directors are personally liable for the payment of taxes and social security contributions.

The members of the Board of Directors under certain conditions are subject to fines and imprisonment, if it can be proven that they have violated company law. They are also liable towards third parties for any violation of the law.

Additionally, members of the Board of Directors who have been appointed by the Board to manage the AE are liable to imprisonment if it is proved that they have committed or co operated in tax evasion, or if social security contributions have not been paid.

### *Accounting books and records*

For Greek tax purposes the accounting period consists of twelve months. However, on the commencement of operations the first accounting period may be shorter or longer than twelve months but not exceeding 24 months. The accounting year must end on 30 June or 31 December. A foreign controlled AE may have the same year-end as its parent company, provided that the parent company has a holding of at least 50% of the AE's capital or the foreign parent has at least 50% participation in another Greek AE which in turn has a holding of at least 50% in the second Greek AE. The provisions of the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Eleventh and Twelfth EU Directives have been transposed into Greek company law.

Companies are required by the Books and Records Code to maintain double entry accounting books and the account structure to be used must

be the same as that prescribed in the Greek General Chart of Accounts or, if the entity is a bank, the Banking Chart of Accounts. Use of these Charts of Accounts is mandatory. Both company law and the Chart of Accounts prescribe the form of presentation of financial statements, which is in line with the EU Fourth Company Law Directive.

Companies listed on the Athens Stock Exchange (ATHEX) must prepare their financial statements in accordance with the International Financial Reporting Standards (IFRS). The IFRS apply to annual or interim financial statements (including consolidated statements) prepared for accounting periods commencing on or after 1 January 2005. Non-listed companies can optionally adopt IFRS, provided that the General Meeting of Shareholders has approved such adoption. Once IFRS are adopted they must be used for at least five years. Companies applying IFRS, either compulsorily or voluntarily, must have their financial statements audited by certified auditors. Furthermore, such companies may bypass, if necessary, the provisions referred to above for full compliance with the relative Chart of Accounts. Taxable results are determined by Greek Tax Law irrespective of the application of IFRS.

### *Audit requirements*

The annual financial statements of a non-listed AE must be audited by two auditors or by a firm of certified auditors appointed by the General Meeting of Shareholders.

The auditors must be independent of management. Entities which satisfy two of the following three criteria in two previous consecutive accounting years are obliged to appoint a recognized auditing firm of certified auditors (a member of the Institute of Certified Auditors and Accountants "SOEL").

- total assets exceeding EUR 2.5 million
- net turnover exceeding EUR 5 million
- average number of employees exceeding 50.

KPMG is a certified firm of auditors and therefore qualifies for appointment as statutory auditor to any corporation in Greece.

### *Compulsory publication*

Documents concerning amendments to the Articles of Incorporation and changes to the composition or to the authorities of the Board of Directors must be filed with the relevant supervising authority of the company's registered office and published in the Government Gazette.

Copies of the financial statements, Report of the Board of Directors, and

the Auditors' Report must also be filed with the relevant supervising authority.

The balance sheet and the profit and loss account together with the auditors' report (required only when the audited company is obligatorily audited by a certified auditor), must be published in the Government Gazette, in one daily financial newspaper and one daily political newspaper, at least 20 days prior to the day on which the general meeting of the shareholders is to be held.

Companies listed on the ATHEX are obliged to publish in the local press and on their web site (as well as file with the Ministry of Regional Development and Competitiveness and the Capital Market Committee) unaudited quarterly financial information in the form of abridged financial statements. They must also publish semi-annual information in the same format which must have been reviewed by a certified auditor. The auditor's limited scope report must also be published.

### *Distribution of profits*

A minimum amount equal to 5% of the annual net profits must be transferred to a statutory reserve until it reaches one-third of the share capital. This reserve is not available for distribution, except in case of liquidation, but it can be used to offset a deficit.

After deduction for the statutory reserve, a minimum amount equal to 35% of the annual net profits must be distributed to the shareholders as a first dividend, unless waived by the General Meeting of Shareholders by a majority vote of 65%.

An interim dividend may be distributed provided an interim balance sheet and profit and loss account are published in a daily newspaper and the Government Gazette at least 20 days before distribution and filed with the competent authorities of the Ministry of Regional Development and Competitiveness. The interim dividends distributed should not exceed 50% of the net profits appearing in the interim profit and loss account.

### *Liquidation*

The AE is dissolved in case of bankruptcy or upon expiration of its duration as specified in the Articles of Incorporation or upon a resolution of the General Meeting of the Shareholders taken by a qualified majority or by virtue of a court decision following a relevant application filed under certain circumstances by either shareholder(s) representing at least one-third of the company's capital or by any third party having a legal interest, including the company's supervising authority.

If the net assets of the AE fall below one-half of its paid-up share capital, the Board of Directors is obliged to convene a shareholders meeting to decide either the dissolution of the AE or the adoption of other measures. If the net assets of the AE fall below one-tenth of its paid up share capital, anyone with an interest, including the supervising authority, may take court action to revoke the AEs operating license.

Except in the case of bankruptcy, the dissolution of the AE is followed by the liquidation of its assets. The company continues to exist as a legal entity for the purposes of the liquidation and the General Meeting of Shareholders retains its powers; however, the Board of Directors becomes inoperative and is replaced by the liquidators who are appointed by the shareholders meeting.

### *Government supervision*

Both during and following establishment, certain AEs (banking institutions, insurance companies, listed companies etc) are subject to government supervision which is exercised by the Ministry of Regional Development and Competitiveness.

All other AEs are not subject to government supervision at the time of establishment. Following establishment, government supervision over such AEs is delegated by the Ministry of Regional Development and Competitiveness to the local Regions (Peripheries).

Some aspects of the government supervision exercised over corporations include the following:

- Actual payment of share capital is certified by the Ministry's or Region's officials (as applicable).
- Increases and decreases of share capital, as well as any amendment to the Articles of Incorporation, must be registered with the relevant supervising authority. For companies whose capital is higher than EUR 3 million or for certain categories (banking institutions, insurance companies etc.) amendments to the Articles of Incorporation need approval of the Ministry or Region.
- The Ministry or Region may apply to the courts to arrange for a special audit of the corporation under the conditions prescribed by law.

### *Financial institutions*

Enterprises wishing to establish operations in the following industries are subject to special requirements.

- Banking
- Insurance
- Venture Capital
- Portfolio Investment
- Mutual Fund Management
- Leasing
- Factoring and Forfeiting
- Consumer Credit.

All such enterprises, except banks, insurance and leasing companies, must be established as an AE. Banks, insurance and leasing companies may be established either as AEs or branches of their foreign parent corporation. The minimum capital requirements are set at levels higher than those applicable for a regular AE or branch. Depending on the industry, the special requirements may include the need to obtain approval/permit from the appropriate authority (Bank of Greece, Capital Market Committee) to have registered shares, to be listed on the stock exchange within a specified period of time and to regularly report and disclose to the appropriate supervising authority.

### **Limited Liability Company - Eteria Periorismenis Efthynis (EPE)**

An EPE is a hybrid of an Anonymos Eteria and a partnership and is similar to the French Sarl or German GmbH. An EPE resembles an AE in that it is regarded as a legal entity separate from the partners and it has limited liability. An EPE resembles a partnership in the manner decisions are made. In particular, the majority of both the number of partners and of the capital is required. The profits of an EPE are taxed in a manner similar to that of an AE.

This form of establishment may be convenient for small and medium size operations.

### *Formation of an EPE*

Similarly to AE companies, the establishment procedures for EPE companies is also currently being simplified. An EPE is formed by executing the Articles of Incorporation before a Notary Public (who will act as a One Stop Authority), payment of the capital concentration tax of 1% and then filing of the Articles with the Court of First Instance (or with the General Commercial Registry once it becomes fully operational), with the establishment also being published in the Government Gazette.

An EPE may be established by one or more partners. However, if upon establishment or at any time thereafter, the entire capital of the EPE

is concentrated in the hands of one partner, the company's name must include the words "Sole Partner EPE". The partners of an EPE may be either individuals or legal entities.

### *Capital*

The minimum capital required for the formation of an EPE is currently EUR 4 500 divided into equal parts or units ("meridia"), which must be fully paid-up at the time of incorporation. At least 50% of the minimum capital must be paid in cash. The par value of the parts must be at least EUR 30 or multiples thereof.

The owners of the company are known as participants, unit holders or partners and are liable only to the extent of their contributed capital. Participation in the capital of an EPE and extent thereof is evidenced by the Articles of Incorporation.

### *Administration*

An EPE is administered and represented by one or more persons (administrators), who need not necessarily be partners of the EPE, and are appointed by the Articles of Incorporation or by the partners' meeting. The appointment of administrators, the extent of their powers and their removal must currently be filed with the local First Instance Court and published in the Government Gazette. Under the new simplification procedures, the initial appointment of administrators and their authorities, if provided for in the initial Articles of Incorporation, are filed with the General Commercial Registry and published in the Government Gazette.

If no administrators are appointed either in the EPE's Articles or by the meeting of partners, the representation of the EPE and the administration of its affairs rest with the partners acting collectively. Administrators must be EU citizens or obtain a Greek residence permit.

The supreme authority for the administration of an EPE lies with the meeting of partners. Resolutions are adopted only if they secure the support of the majority of the partners both in numbers and capital. Certain resolutions, such as the amendment of the Articles of Incorporation, require a qualified majority.

An annual Meeting of Partners must be held within three months from the end of the fiscal year. Extraordinary Meetings of Partners may be called by the administrators at the request of partners representing at least 5% of the EPE's capital.

### *Management liability*

The administrators are generally subject to fines and imprisonment if they violate company law. They are also liable to third parties for any violation of the law.

The administrators are personally liable if the financial statements of the company do not conform with the applicable legal requirements.

Additionally, the administrators are subject to imprisonment if it can be proven that they have committed or cooperated in tax evasion or if tax liabilities or social security contributions have not been paid.

### *Accounting books and records*

The accounting period and requirements for accounting books are the same as that previously described for AEs.

### *Audit requirements*

EPEs that do not exceed the limits set by law to have its financial statements audited by a certified auditor (same as those for an AE) are exempt from a statutory audit altogether. EPEs which exceed such limits ("large EPEs") are subject to an audit by a certified auditor.

### *Compulsory publication*

The documents concerning amendments of the Articles of Incorporation and the administrators must be filed with the local Court of First Instance and published in the Government Gazette.

Copies of the financial statements, the administrators' report and the auditors' report (where applicable) must also be filed with the relevant supervising authority. The financial statements of an EPE (with the exception of the Notes to the financial statements) and the auditors' report (where applicable) are published in the Government Gazette and in selected newspapers.

### *Distribution of profits*

A minimum amount equal to 5% of the annual net profits is deducted for the formation of a statutory reserve. Such deduction ceases to be mandatory when the statutory reserve reaches one-third of the paid-up capital. The balance of the net profits is distributed to the partners in proportion to their capital contributions, unless otherwise provided in the Articles of Incorporation.

### *Liquidation*

The dissolution of an EPE is compulsory in the case of bankruptcy, upon expiration of its duration as specified in the Articles of Incorporation and

in case of a court decision so deciding for serious cause following an application of partners representing at least 10% of the capital. A 75% majority of the capital and the number of partners may also resolve to dissolve the company and liquidate its assets at any time. When the net assets of an EPE fall below one-half of its capital, the administrators must convene a general meeting to determine the future of the company.

### **European Company - Société Européenne (SE)**

Law 3412/2005 regulates the establishment and operation of the European Company (SE) in Greece. An SE having its registered office in Greece acquires legal personality upon registration in the special section of the Companies Register, held with the supervising authority of Greek AEs. SEs registered in Greece are governed by Council Regulation 2157/2001, Law 3412/2005, the national legislation applying to Greek AEs and the provisions of their Articles of Incorporation provided that they are in compliance with the provisions of the above Council Regulation. The subscribed share capital of an SE may not be less than EUR 120 000, subject to provisions of Greek law requiring a higher subscribed capital for legal entities engaged in certain business activities.

### **Branch**

A branch of a foreign company may be established in Greece through registration with the Ministry of Regional Development and Competitiveness. For this purpose, certain documents must be filed with the Ministry, including the Articles of Incorporation of the foreign company, a certificate of good standing issued by the foreign company's competent supervising authority, a resolution of the foreign company's competent corporate body approving the establishment of a branch in Greece, a Power of Attorney appointing the branch's legal representative and the person authorized to receive correspondence.

A branch may be registered, under Law 2190/1920 as a branch of a foreign corporation limited by shares (AE) or, under Law 3190/1955, as a branch of a foreign limited liability company (EPE). In either case, the foreign company is normally required to meet the minimum capital requirements set by Greek law for similar legal entities (EUR 60 000 for an AE or EUR 4 500 for an EPE).

The branch is administered by an individual (representative) appointed by the foreign company by virtue of a Power of Attorney. The legal representative's personal data and documents detailing responsibilities must be filed with the Ministry of Regional Development and



Competitiveness. If the individual appointed as the legal representative of the branch is not an EU citizen, he must secure a Greek residence permit. The establishment of the branch and certain details concerning its object of activities, registered address and legal representative must be published in the government gazette.

Normally, the accounting year end of the branch would be the same as that of its head office.

The representative of the branch is generally under the same management liability as the member of a Board of Directors of an AE or the administrator of an EPE. In particular, the representative of a branch is subject to imprisonment if it is proved that he has committed or co-operated in tax evasion activities or if income tax withheld or social security contributions have not been remitted to the Greek State.

A branch must file a copy of the financial statements of its head office annually with the Ministry of Regional Development and Competitiveness. Depending on size criteria and/or industry (for example banking and finance institutions, insurance), branches are subject to audit by certified auditors and certain publication requirements.

### **Offshore Entities (Law 89) - Grafio/Etairia Nomou 89**

Based on Law 3427/2005, amending Law 89/1967, foreign entities may establish an office or a Company in Greece under the provisions of Law 89/1967, for the sole purpose of providing to their head offices or to their foreign affiliates (companies not established in Greece) advisory services, centralized accounting support, quality control services, project planning services, advertising and marketing services and data processing services. The personnel of Law 89 entities must consist of at least four people and the company's annual operating expenses must amount to at least EUR 100 000 to be covered by direct foreign funding.

Greek companies may also operate under Law 89/67, provided that their activities are exclusively limited to providing the above-mentioned services to their foreign branch offices or affiliates. The gross earnings of Law 89 entities will be determined according to a cost-plus method. The taxable profit applicable to each company – which may not be less than 5% of (qualifying) expenses will be determined by the Decision of the Minister of Finance approving the establishment of the Law 89 Entity.

Law 89 entities are not required to maintain double-entry accounting books but only a receipts and expenses book, they are not subject to any

statutory audit requirements nor are they obliged to publish any financial information.

Foreign shipping companies may establish a branch or an office in Greece under Law 27/1975 and enjoy substantial tax benefits, including exemption from Greek income taxation. The provisions of Law 89/67 no longer apply to these entities.

### **Joint Venture - Kinopraxia**

The term joint venture ("kinopraxia") is used in commercial practice to indicate the cooperation of individuals or legal entities for the purpose of pursuing and carrying out a specific project. A joint venture is not recognized by law as a separate legal entity; however it can be recognized as a fiscal entity for tax purposes, provided that certain conditions are met, including the filing of the joint venture agreement with the tax authorities prior to the commencement of its activities. A 25% tax is imposed on any profits realized by the joint venture, each participant being jointly and severally liable for tax liabilities of the joint venture. Special rules apply also for the maintenance of the accounting records.

Professionals such as lawyers, architects, civil engineers and generally all "freelance" professionals cannot establish a joint venture. Certified auditors, on the other hand, can form a joint venture.

Foreign companies may participate in a joint venture provided they acquire a Greek tax identification number.

### **General Partnership - Omorythmos Eteria (OE)**

A general partnership (Omorythmos Eteria) is an entity in which all the partners are jointly and severally liable for the debts of the partnership without limitation in liability.

The Articles of Association of a partnership need not be signed before a Notary Public and may take the form of a private agreement.

The procedures for the establishment of OE companies are also being simplified and when the new establishment framework becomes fully operational, general partnerships will be established through "One Stop Authorities" (General Commercial Registry of the Chamber of Commerce etc.) and their Articles of Incorporation will be filed with this Registry.

Under particular circumstances a summary of OE articles may need to be published in the Government Gazette.

There is no minimum capital requirement. The capital may be contributed in cash or in kind, or in the form of personal services to the firm.

The affairs of the partnership are administered by one or more administrators and the accounting period is the same as that previously described for AEs.

### **Limited Partnership - Eterorythmos Eteria (EE)**

In all respects, a Limited Partnership (Eterorythmos Eteria) is similar to a General Partnership, except that the liability of the limited partner (eterorythmos eteros) is limited to his contributed capital. At least one partner must have unlimited liability (omorythmos eteros). If a limited liability partner is engaged in the management of the partnership he loses his limited liability status.

### **European Economic Interest Grouping (EEIG)**

Presidential Decree 38/1992 introduced measures required for the application of Council Regulation 2137/85/EEC on the European Economic Interest Grouping (EEIG). Accordingly, an EEIG may be registered in Greece. The appointment of a representative is required.

## Chapter 5

# Business taxation

### Taxation of legal entities

The profits of all Greek entities, irrespective of their legal form or where the profits are earned, are subject to corporate tax. When distributed, taxed profits are subject to further taxation. In the case of a partnership, up to three individual general partners having the largest participation in the capital must have up to 50% of their share of the profits taxed in their hands as "business remuneration". The amount of "business remuneration" is deducted from the partnership's profits in arriving at taxable profits.

A foreign enterprise operating in Greece through a branch or a subsidiary company, or indeed having acquired a "permanent establishment" in Greece, is subject to corporate tax.

### Residence - "Permanent Establishment" test

Entities established in Greece are resident in Greece for tax purposes and are taxable on their world-wide income. A foreign entity is subject to Greek corporate tax on income arising in Greece if it has, or is deemed to have, a "permanent establishment" in Greece.

Foreign enterprises are generally regarded as having a permanent establishment in Greece if they:

- Maintain one or more branches, agencies, offices, warehouses, plants, laboratories or other facilities in Greece for the purpose of exploiting natural resources.
- Are engaged in manufacturing activities or the processing of agricultural products.
- Transact business or offer services through a representative in Greece who is authorized to negotiate and conclude contracts on their behalf.
- Render services of a technical or scientific nature in Greece, even without a representative.
- Keep inventories of merchandise for their own account out of which they fill orders.

- Participate in a personal or limited liability company (partnership or EPE).

These criteria are superseded by the provisions of the Double Taxation Treaties concluded by Greece with other countries which include a narrower definition of a permanent establishment.

### **Basic principles - corporate tax**

Greek companies are taxed on their profits before distribution at the rate of 20% (by exception, the rate is 24% for an accounting year ending on or before 31 July 2011). Dividends are distributed from after taxed profits and are subject to a dividend withholding tax of 25% (by exception 21% for dividends distributed during 2011). Branches of foreign companies are similarly taxed on their profits. Any profit remittances including crediting of profits to their head offices are also subject to the dividend tax withholding. Partnerships are taxed at 25% for the portion of profits corresponding to legal entities and 20% for the portion of profits corresponding to individuals who are general partners. There is no tax on distribution with the exception of up to three individual general partners having the largest participation in the capital who are not taxed at partnership level but in their hands for a portion up to 50% of their share of profits.

The concept of a "group" for tax purposes does not exist in Greece. All entities are subject to corporate tax individually. Income from their participation in other companies in Greece is taxed but dividend tax withheld is set off upon further distribution of the dividends that already suffered the dividend withholding tax. Income from their participation in other companies outside Greece is also subject to Greek income tax, however, entities have the right to deduct from the amount of Greek income tax the foreign income tax paid abroad on such income, but only up to the limit of the amount of the corresponding Greek income tax. Regarding profits from EU subsidiaries, they are tax exempt provided such profits are not distributed and are transferred to a tax free reserve account and on condition the Greek entity has a participation of at least 10% for at least two consecutive years.

### **Taxable profits**

The taxable profits (or losses) of each year are the profits (losses) shown in the financial statements, derived from the official books kept in accordance with the Code of Books and Records after adjusting for non-deductible expenses and non-taxable income. If the books are kept in accordance with IFRS principles, the taxable result is that which

is adjusted to comply with Greek law.

Where the net profits of "AEs" and "EPEs" also include (apart from dividends and profits from participations in other companies) income taxed pursuant to special provisions whereby the tax obligation is either fixed or eliminated, if such profits are distributed in the year in which such profits arose, it is deemed that part of the distributed profits arises, proportionally, from the profits taxed or exempted by the special legislation. The difference between corporate tax and the amount of reduced tax paid on those profits is then paid upon distribution.

### **Deductible expenses**

Expenses qualify for tax deductibility only if:

- they are so stipulated in Greek legislation
- they are properly recorded in the official books and records
- they are properly supported by adequate documentation as specified in the Code of Books and Records
- they are actual expenses incurred for the purpose of earning taxable income (this is the concept of "productive" expenses)
- they have been recorded in the period to which they relate.

A ministerial decision is issued every year listing deductible and non deductible expenses. The list includes those specified in the law but further clarifies them as interpreted by jurisprudence and administrative practice. The list of deductible expenses is binding on the tax auditors but it is not treated as an exhaustive list.

When a company's gross income includes tax-free income or income that is taxed at source pursuant to special tax laws with the extinguishment of the tax obligation or income from dividends or income from participation in Greek entities, a portion of the expenses is deemed to have been incurred in the earning of this income and consequently such portion is not deductible for tax purposes. Such provisions apply to banks only regarding their dividend income and their profits from their participation in other Greek companies. Annual depreciation of fixed assets is compulsory for years ending on or after 30 December 1997 at rates or range of rates prescribed by law. Fixed assets of the same category can be depreciated on condition that the rate to be chosen will be used consistently. If a business in any accounting period does not take depreciation at the allowable rate, it waives its right to deduct the corresponding amount in the future.

Assets whose cost of acquisition is up to EUR 1 200 may be expensed in the year they were used or were first put into operation. Depreciation is taken on a straight-line basis on the acquisition cost of the asset plus any expenses incurred for improvement or extensions. New machinery and technical production equipment acquired after 1 January 1998 by industrial, handicraft and mining businesses, may be depreciated by using either the straight-line method or the declining balance method. The rates for the declining balance method are three times the rates prescribed for the straight-line method.

If in an accounting year the net book value of an asset after depreciation is less than 10% of the acquisition cost then the asset can be fully depreciated in that accounting year.

Start-up or pre-operating expenses, or expenses for the acquisition of real estate, may be deducted in one year or in equal installments over a period not to exceed five years. Leasehold improvements must be deducted in equal amounts over the life of the lease unless Presidential Decree 299/2003 provides for higher rates.

Provisions for bad debts are tax deductible up to a specified amount. Such amount is 0.5% of annual total sales to businesses after deducting discounts and returns, sales to the Greek State, municipalities and public enterprises and special consumption taxes on petrol goods and tobacco and all other taxes included in the selling price. For companies in the sectors of fixed line and mobile telecommunications, water and drainage, production of electricity, cable television, and distribution and supply of natural gas, the deduction is 1%. The accumulated amount of such provisions cannot exceed 30% of the outstanding trade receivables balance at any time. An entity can write off actual bad debts against the provision. The balance of the provision is reviewed at the end of every five years commencing in 2005 and any unutilized balance is transferred to the profit and loss account in the following year and is subject to tax.

There are special rules relating to tax deductibility of provisions for bad debts of banks, leasing companies, and factoring and forfeiting companies.

Provisions for retirement payments to employees retiring in the following year may be deducted in the current year.

Royalties and fees, in general, paid to companies or organizations for the use of technical aid, patents, trademarks, industrial processes, and copyrights are normally deductible in the year in which they are paid or credited.

When royalties or fees are paid to foreign organizations or foreign companies, the royalties and fees are deductible provided there is a written contract in place and invoices have been issued, withholding tax has been paid or is exempted, and such royalties and fees are paid or credited in the accounting year to which they relate or by the date provided by law for closing the books for the relevant year. They also must be at arm's length and not higher than the average of other royalties paid to the same company by other companies of the group.

Interest on loans and similar expenses are deductible in the year in which they arise.

Car expenses (depreciation, maintenance, repairs, running costs, rentals paid to leasing, but not to car rental, companies) of leased or self-owned passenger cars are partially deductible. For company cars up to 1600 cc, 70% of the expenses are deductible and for company cars exceeding 1600 cc, 35% of the expenses are deductible.

Group life insurance premiums paid for employees are tax deductible up to a maximum of EUR 1 500 per year, per employee.

Research and development (R&D) expenses are fully deductible in the year they are incurred or equally over three years if these expenses relate to tangible assets. When R&D expenses exceed, during an accounting year, the average amount of such expenses incurred during the previous two accounting years, an additional amount equal to 50% of the expense incurred during the current accounting year is tax deductible. In order for the latter to apply, the Ministry of Regional Development and Competitiveness should certify that the R&D expenses were incurred stipulating the nature of the relevant expenses and when they were incurred. This applies to expenses made until 31 December 2014.

Salaries, as well as any other amount received by the partners of an EPE, are tax deductible, provided that such payments are subject to social security contributions. Salaries and other remuneration paid to partners of OE, EE are not deductible for tax purposes.

A business can deduct expenses for administrative support, organization, reorganization and generally for services provided to the business by other Greek or foreign legal entities of the same group or by third parties for purposes related to the general benefit of the group, provided that such expenses contribute to business-generating income and do not exceed the average percentage paid by other group companies to the charging company. Such expenses will be examined in the course of tax audits



in light of the arm's length principle and the relevant documentation.

Donations to the state, municipalities and certain other local institutions (religious, charitable, or educational) can be tax deductible under certain conditions, depending on the type of the donation and the recipient. The same treatment applies to cultural sponsorships according to Law 3525/2007.

The following expenses are also tax deductible:

- Hotel accommodation expenses for foreign clients, representatives or managers of local or foreign entities provided that the hotels are located within the prefecture of the registered place of business of the company or the branch.
- Expenses incurred for staff training relating to the company's activities.
- Housing allowances paid to employees, provided that the corresponding amount is treated as employment income.
- Amounts paid by the company to nurseries and kindergartens.
- Cash of up to EUR 3 000 paid to employees for their exceptional performance in universities.
- Amounts paid for the purchase of special staff uniforms required for safety and health reasons or for reasons of uniformity.
- Travel expenses (hotel expenses, travel tickets and meals) incurred by the company's representatives and managers in foreign countries. Meal expenses cannot exceed the cost of accommodation.
- Rent paid by the company for temporary residence of employees in hotels or houses when such accommodation is located at least 100 km from the employee's permanent residence.
- Duty paid by the company due to its participation in a collective system of alternative management.
- Gifts given to clients provided they bear the company name and the relevant municipal duty has been paid. The expense deducted should not exceed EUR 15 per gift.
- Bonuses in cash or in kind to company employees for their exceptional performance under the condition that the relevant social security contributions have been paid.
- Expenses paid for use of mobile phones belonging to the company on

condition that the number of mobile phones does not exceed the number of company employees. Only 50% of this expense is deductible.

- Expenses for seminars and meetings for company employees or clients, provided that the meetings take place within the prefecture where the company is registered.

### **Deductibility of payments to residents of non-cooperating countries or of countries with preferential tax treatment**

Payments for the following made or to be made to an individual or an entity which is a tax resident or has its statutory or actual seat or is established in a country which is considered as non-cooperating or a country with a preferential tax regime are not deductible for tax purposes:

- Purchase of goods or receipt of services.
- Interest arising from any kind of claim, bond, deposit or guarantee.
- Royalties for the use of or the right to use any literary, artistic or scientific works (including cinematographic films, films, tapes or discs for radio or television broadcasting), patents, trademarks, secret industrial methods or formulas, production procedures, or for the use of or the right to use industrial, commercial or scientific equipment or for information regarding industrial, commercial or scientific experience and any other relevant right.
- Lease payments, or lease payments to leasing companies.
- Remuneration to executives and members of the board of directors.
- Any other payment of any kind as well as expenses of any other category.

By exception, the above expenses are deductible where the taxpayers can prove that the respective expense relates to actual and usual transactions and did not result in the transfer of revenues or income or capital outside of Greece for the purpose of tax evasion. The burden of proof rests with the taxpayer.

The cost for goods/services is not deducted for income tax purposes if the activity of the foreign entity was limited to billing, the goods/services were delivered by another person and the billing entity is established in a country with a preferential tax regime.

In case a Greek selling company sells to an individual or to a legal entity having its registered seat or establishment in a state that is included in

the list of non-cooperating countries or in a state with a preferential tax regime, when such goods are not transferred outside Greece and are resold by the intermediary company to another Greek company at a price higher than the price of the first transaction, the price difference arising from the sale of goods is added to the gross profits of the Greek selling company.

Similarly, when a Greek company sells goods to a foreign individual or legal entity or agent or subcontractor having its registered seat or establishment in a state that is included in the list of non-cooperating countries or in a state with a preferential tax regime at a price lower than the price it sells the same products to a Greek or foreign company, the price difference arising from the sale of goods is added to the gross profits of the Greek selling company.

Non-cooperating countries are those which on and after 1 January 2010 are not members of the European Union, their situation as far as clarity and exchange of information on taxation matters has been examined by the OECD and which by 1 January 2011 cumulatively satisfied the following conditions:

- had not concluded with Greece any mutual assistance agreement on tax matters, and
- had not concluded any such agreement with at least twelve other countries.

Non-cooperative countries are determined by virtue of a decision issued by the Minister of Economy, after the above conditions are examined and which is published within January of each year.

For income tax purposes, an individual or an entity is considered to enjoy a preferential tax treatment in a country outside Greece, if they are not subject to any tax in that country or although subject to tax, are not actually taxed, or are subject to tax at a rate which is less than 60% of the rate which would be applicable to their income in case they were resident in or had their registered address or a permanent establishment in Greece. The preferential tax regime criterion applies even in cases where such individual or entity has their residence or statutory or actual seat or are established in an EU member state.

### **Tax rate**

The tax rate applicable to the profits of an AE or EPE or a foreign branch is 20% for accounting years ending from 1 August 2011 onwards. The distributed dividends/profits are subject to a withholding tax at the rate of

25%. The 25% withholding tax also applies to profits which are credited or distributed by a branch to its head office abroad. By exception, the tax rate applicable to the profits of the entity is 24% for an accounting year ending on or before 31 July 2011 and for dividends distributed during 2011, the withholding tax rate is 21%.

The tax paid on dividends received by Greek AE and EPE companies from other Greek AE and EPE companies will be set off against the withholding tax of future distributions of the same dividends.

An exemption from corporate income tax of profits received by Greek AE and EPE companies from their EU subsidiaries applies provided that such profits are not distributed and are transferred to a tax free reserve account and on condition that the Greek company has a participation of 10% in the foreign company for at least 2 consecutive years.

When a company earns income from real estate, the gross income therefrom is subject to a 3% supplementary tax, but such tax cannot exceed the corporate tax.

### **Filing of the tax return**

Sociétés anonymes, limited liability companies and branches of foreign entities are obliged to file their tax returns by the 10th day of the fifth month following the end of their accounting year end, whereas general and limited partnerships and joint ventures maintaining double entry books are required to file within three and a half months following the end of their accounting year. If a company files its tax return without making the appropriate tax payment (see below), it is considered as not having filed the tax return and, therefore, it is subject to all the consequences pertaining to non-filing.

Companies which are obliged to be audited by certified auditors must accompany their income tax return with a certificate which is issued by a certified auditor and verifies the company's tax position. If the certificate does not include any qualifications then the tax authorities will not carry out a tax audit unless a specific company meets the criteria determined for targeted, as prescribed in the law, tax audits.

### **Payment and prepayment of tax**

The tax and the advance tax are payable in eight equal monthly installments, the first installment being paid upon filing of the tax return.

Legal entities subject to corporate tax are also required to pay an amount equal to 80% (100% in the case of Greek banks and branches of foreign

banks and 55% for general partnerships) of the current year's income tax as an advance against the following year's tax liability. Credit is given for the advance tax paid in the previous year.

The above mentioned advance tax rates are decreased by 50% for the first three accounting years for AEs or EPEs incorporated from 1 January 2005 onward, on condition that they have not resulted from a transformation or merger of any other entities.

### **Relief of losses**

Tax losses of companies and branches of foreign companies that maintain double entry accounting books and of entities maintaining income and expense books may be carried forward and be offset against taxable income of the five years following the accounting year in which they were incurred. Losses cannot be carried back. Greek companies having a business interest (branch) abroad, may offset losses incurred by their foreign interest only from profits arising from a similar business interests abroad and not from profits arising from their business activity in Greece.

### **Group tax relief**

The concept of group tax relief does not exist in Greece. Companies cannot transfer losses to other companies of the same group.

### **Double taxation and relief for foreign taxes**

In the absence of a double taxation treaty, a Greek corporation, branch or permanent establishment is entitled to claim credit for the foreign tax charged on income from any overseas source against the Greek corporate tax payable on that income. The amount of the credit is limited to the amount of Greek tax attributable to such income.

Treaties for the avoidance of double taxation have been signed and entered into force with: Albania, Armenia, Austria, Azerbaijan, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Hungary, Iceland, India, Ireland, Israel, Italy, Korea, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Mexico, Moldova, Morocco, the Netherlands, Norway, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, the United Kingdom, the United States of America, and Uzbekistan. Other tax treaties have been signed or ratified but are not yet in force or are under negotiation.

The tax treaties cover, inter alia, the withholding tax treatment on payments of dividends, interest and royalties from Greece to residents of the Treaty countries.

Regarding the avoidance of double taxation on distribution of profits between parent and subsidiary sociétés anonymes registered within the European Union, Greek parent companies have the right to deduct from their total income tax the income tax paid by the foreign subsidiary (which corresponds to the profits distributed to the parent company) as well as the tax that may have been withheld by the subsidiary in relation to these profits. The deduction is granted on condition that the total deductible amount is not greater than the amount of tax corresponding to the same income in Greece.

In particular, Greek income tax legislation has incorporated EU Council Directive 2003/123/EC which amended EU Council Directive 90/435/EEC. Therefore, Greek tax law governing parent and subsidiary entities applies not only to Greek sociétés anonymes but to all Greek companies (limited liability companies, public and municipal enterprises, cooperative societies, foreign undertakings, general partnerships, limited partnerships) that are subject to Greek income tax.

Furthermore, in order for a company to be considered a parent, subsidiary, or second tier subsidiary, the shareholding threshold is 10% on condition that the related shareholding is maintained for at least two years.

Transfer pricing rules allow the adjustment of the profits of a local subsidiary in respect of its transactions with its foreign controlling parent company when the tax authorities find that the transactions are not at arm's length.

### **Branch or company**

When a foreign enterprise is deciding which form of entity is preferable from a tax point of view, the following aspects should be taken into consideration.

- Both an AE and a branch of a foreign enterprise are subject to the same corporate tax and at the same rates.
- In addition to the deductions relating to an AE, a branch may reduce its taxable profits by an allocated portion of the central operating costs of the head office. Under certain circumstances subsidiaries are similarly allowed to deduct head office costs.
- The establishment of a branch by a foreign enterprise in Greece creates

a "permanent establishment" of that entity in Greece whereas investment in an AE does not.

- The Greek subsidiary of a company located in another EU state qualifying for the application of the EU Parent Subsidiary Directive will not suffer the 25% withholding tax on dividends whereas the Greek branch must apply such tax upon crediting or remitting the profits to the head office.

### Illustrative tax computation and tax payment

Income tax calculation and tax payment for a non-banking AE Company for the year ending.

31 December 2011  
Assumptions (amounts in EUR):

- Net profit per profit and loss account EUR 250 000
- Gross rental income EUR 6 000
- Gross Interest from bank deposits subject to withholding tax at 10%, EUR 15 000
- Non deductible expenses EUR 21 000
- Prior year's advance tax EUR 35 000
- No profits distributed

Calculation of income tax and amount payable	Euro
Net profit per profit and loss account	250 000.00
Plus non deductible expenses	21 000.00
<b>Taxable income</b>	<b>271 000.00</b>
Income tax (EUR 271 000 x 20%)	54 200.00
Plus supplementary tax on rental income (EUR 6 000 x 3%)	180.00
<b>Income tax charge for the year</b>	<b>54 380.00</b>

*Amount to be paid:*

Income tax for year 2011	54 380.00
Less prior year's advance tax	(35 000.00)
Less withheld tax on interest income (EUR 15 000 x 10%)	(1 500.00)
Plus this year's advance tax (EUR 54 380.00 x 80%)	43 504.00
<b>Total amount of tax to be paid</b>	<b>61 384.00</b>

**Capital gains**

Capital gains (or losses) are generally regarded as ordinary business income (or loss) and are treated accordingly for tax purposes, except that the gain from the sale of a business, a branch, units in a partnership, an EPE, participation in a joint venture (other than a construction joint venture), joint ownership of rights governed under civil law or the waiver of a right to participate in a capital increase of an EPE or a partnership is subject to an advance tax of 20%. Gains from the disposal of other business rights such as patents or industrial property are also subject to an advance tax of 20%. The gain is included in the income of the entity for the determination of taxable profits with credit being granted for the 20% advance tax paid.

The gain on the sale of shares of companies not listed on the Athens or any other internationally recognized stock exchange is not subject to capital gains tax but are subject to the general income tax provisions with the right to offset the special 5% tax paid on the transaction. This special 5% tax is imposed on the higher of the contractual sale price or the deemed sale price of the shares where the deemed price is determined by a specific formula. This tax will not apply if the seller of the shares is resident in a tax treaty country and does not have a permanent establishment in Greece (in case it has a permanent establishment the 5% tax will be imposed if the shares are an asset of the permanent establishment). The 5% tax does not extinguish the income tax liability.

The tax treatment for the sale of shares of companies listed on the Athens or any other foreign recognized stock exchange is described below under the heading Tax on Stock Exchange Transactions.



## **Withholding taxes and special taxes**

### *Construction*

The determination of profits on the basis of accounting books applies to all legal entities having as their business objective the construction and sale of buildings and technical works, provided that a société anonyme or a limited liability company is involved. Tax is withheld from payments to contractors at the rate of 3%. Taxes withheld are offset against the final tax liability or are refunded, as the case may be.

### *Royalties*

Royalties paid to companies or individuals with no permanent establishment in Greece are subject to a withholding tax of 25%. However, if a treaty for the avoidance of double taxation is in force, its provisions will apply. There is no withholding tax on such payments to Greek residents.

Greek Income Tax Law has incorporated the provisions of Council Directive 2003/49/EC (Interest and Royalties Directive). Accordingly, royalties (and interest – see below) paid by a Greek société anonyme or a Greek permanent establishment of an EU company to an associated company or a permanent establishment resident in another EU Member State are not subject to withholding tax (after the lapse of the transition period – see below), provided certain conditions are met. A company is considered to be an affiliate of another company when either company holds directly at least 25% in the share capital of the other company or when a third company holds at least 25% in both companies and this participation exists for a continuous period of two years without interruption.

The full abolition of withholding tax will apply after the expiration of the transitional period. During the transitional period of eight years, starting from 1 July 2005, the tax withholding rate is 10% for the first four years (until 30 June 2009), and 5% for the following four years (until 30 June 2013) unless the relevant treaty for the avoidance of double taxation provides for a more beneficial tax treatment.

### *Service fees*

In general, fees paid to foreign undertakings or individuals who have no permanent establishment in Greece for services rendered in Greece are subject to a 25% withholding tax unless a tax treaty provides otherwise. Fees incurred specifically for studies, designs, research and scientific advice, as well as for supervision and consulting services in Greece on construction projects are also subject to a 25% withholding tax. There

is no such tax in case payment is made to a Greek resident. Where a treaty for the avoidance of double taxation is in force, its provisions apply.

### *Investment income*

Investment income, other than dividends, paid to a foreign entity with no permanent establishment in Greece is subject to withholding tax at the rate of 40%, subject to the provisions of an applicable tax treaty for the avoidance of double taxation. The foreign entity is not required to file an income tax return for such income.

The taxation of Board of Directors fees is described below under the heading Business Income.

### *Interest*

Except for interest from bank deposits and interest from state bonds or bonds issued by Greek corporations, interest remitted to non-resident entities is subject to withholding tax at a rate of 40%, or at the rate applicable in a tax treaty for the avoidance of double taxation.

Interest paid by a Greek société anonyme or a Greek permanent establishment of an EU company to an associated company or a permanent establishment resident in another EU Member State is not subject to withholding tax (after the lapse of a transition period set out below) provided certain conditions are met. A company is considered to be an associate of another company when either company possesses directly at least 25% of the other company or when a third company directly possesses at least 25% of both companies and this participation exists for a continuous period of two years without interruption. The full abolition of withholding tax will apply after the expiration of the transitional period. During the transitional period of eight years, the tax withholding rate is 10% for the first four years (until 30 June 2009), and 5% for the following four years (until 30 June 2013), unless the relevant treaty for the avoidance of double taxation provides for a more advantageous tax treatment.

When foreign source interest other than from deposits with banks abroad or from foreign state or corporate bonds is remitted to Greece, it is subject to a withholding tax at the rate of 20%. Such tax is considered an advance tax and is offset against the beneficiary's final tax liability arising on the total income.

Interest earned on deposits with banks operating in Greece or abroad is subject to withholding tax at the rate of 10% (except for deposits made in foreign currency by a non resident which is tax-free). Interest earned

on Greek or foreign State bonds, treasury bills and bonds issued by Greek or foreign corporations (including banks, insurance companies and foreign companies in which Greek banks have the majority in the share capital) is subject to withholding tax at the rate of 10%. Exemptions from tax may apply provided that certain conditions are satisfied and interest from Greek State and corporate bonds is exempt from tax if earned by a non resident. The income from repos on State bonds has been categorized as interest subject to withholding tax at the rate of 10% (unless otherwise provided in the relevant tax treaty for non residents). When interest is earned by individuals, the tax withheld as above is considered as a final tax on such income.

### *Business income*

As of 1 January 2012, remuneration paid to administrators of an EPE and fees paid to Board members of an AE out of after tax corporate profits are subject to a withholding tax at the rate of 25%. The 25% withholding extinguishes the income tax liability of the recipient of the remuneration/fees unless the recipient is taxed at a lower tax bracket in which case the excess tax is refunded. For fees and remuneration paid out of after tax corporate profits during 2011, the withholding tax rate is 21%. In case of fees (other than from taxed profits or fees which are considered employment income) paid to directors of AEs, taxes will be withheld at the rate of 20% or 35%, depending on the nature of such income (professional, investment or commercial). The withholding of 20% or 35% is considered a final tax. In addition to the tax, there is also a stamp duty of 1.2% on the fees if such fees are not for employment services.

The supply of products to the State is subject to a 4% withholding tax (reduced to 1% for the sale of fuel and tobacco products). The supply of services is subject to an 8% withholding tax. These taxes are treated as payments in advance against the final tax liability.

### **Proceeds from liquidation**

Proceeds from the liquidation of an AE or an EPE are not subject to tax if they represent return of capital. All other proceeds are distributed as dividends bearing the relevant tax. If any proceeds represent a distribution of tax-free reserves they become subject to corporate tax and they are distributed as dividends.

### **Local tax (annual tax on real estate)**

A local tax is levied at a rate ranging between 0.025% to 0.035% (as determined by the relevant municipality) of the real estate's objective

value (see Chapter 8 for an explanation of the objective value system).

### **Tax on stock exchange transactions**

The sale of shares of companies listed on the Athens Stock Exchange or any other foreign recognized stock exchange is subject to a tax of 0.20% on the transfer price. There is no tax credit available for the 0.20% tax.

Currently, gains realized from the sale of listed shares for entities who maintain double entry accounting records are recorded in a tax free reserve to be offset against future losses from the sale of shares. Upon distribution or capitalization of the reserve, income tax at the applicable corporate income tax rate is imposed and a tax rate credit is available for any tax withheld.

The sale of listed shares acquired from 1 January 2012 will not be taxed as above and any profits arising from the sale of listed shares will be taxed according to the general provisions of tax law, and any losses will be tax deductible.

### **Duty on cellular phones**

A duty is imposed on the subscribers of cellular phone companies.

This duty is calculated on the amount of the monthly bill for the use of the cellular phone before the imposition of VAT at the following rate:

- 12%, if the monthly bill is up to EUR 50
- 15%, if the monthly bill is from EUR 50.01 to EUR 100
- 18%, if the monthly bill is up to EUR 150 and
- 20%, if the amount monthly bill is from EUR 150.01 or more.

A duty on card phones is also imposed. This duty is calculated at the rate of 12% on the value of the prepaid card.

Cellular phone service providers are responsible for the administration (collection and payment) of this duty.

### **Indirect taxes**

The following briefly outlines the various types of indirect taxes. Indirect taxation provides more than 50% of the State's tax revenue.

#### *Value Added Tax (VAT)*

VAT was introduced in Greece in 1987 and is the most important indirect tax. Greece's VAT legislation was amended to conform with the EU Directive 91/680 and a transitional structure was implemented until 1997 when the VAT regime reached its final form. In 2000 a new VAT Code

was introduced by Law 2859.

On 20 April 2005 Greece's VAT legislation was amended by Law 3336/2005 to conform with EU Directive 2003/96. Further amendments were later introduced by subsequent laws, namely Laws 3833/2010 and 3842/2010.

Generally, all businesses must register for VAT before they start operations. The tax is levied on:

- The value of goods increased by related costs (such as transport, insurance, duties) supplied within Greece by entrepreneurs acting within the scope of their business objects.
- The invoiced price and related costs (transport, insurance, duties) of goods imported into Greece from non-EU countries.
- The invoiced price of goods acquired from EU countries by entrepreneurs whose activities are subject to VAT and the invoiced price of goods acquired by individuals and VAT exempt entrepreneurs, if the supplier's sales in Greece exceed a certain threshold.
- The value of services supplied by Greek resident entrepreneurs acting within the scope of their business (by exception, the supply of certain services by Greek residents to non-residents is exempt from VAT, whereas the supply of certain services by foreign residents to Greek residents is subject to VAT).
- The value of goods taken from the business or use of the business' services by a taxpayer for personal use or the personal use of employees.
- The value of certain goods allocated to the business by the taxpayer (alcohol, tobacco, passenger cars) produced by the business.
- The value of transferred buildings whose construction licenses were issued or amended after 1 January 2006, provided that no construction work had begun by 1 January 2006.
- Exports to residents of non-EU countries and supplies to residents of EU countries who are subject to VAT are exempt from Greek VAT.

The tax is borne by the ultimate consumer of goods or recipient of services. The general principle is that VAT incurred by an entrepreneur on his purchases can be offset against VAT charged by this entrepreneur on his sales and the difference is payable to or recoverable from the tax authorities.

The basic VAT rate applicable to all goods and services is 23%, except for the following, which have a reduced rate:

- Newspapers, periodicals, books, theatre tickets, pharmaceuticals destined for humans and hotel accommodation at 6.5%.
- Goods and products deemed as necessities, such as fresh food products, transportation, electricity, natural gas and certain professional services (such as renovations and repairs of old private properties and services provided by restaurants, coffee shops, writers, composers, artists and the non-exempt services of doctors and dentists) at 13%.

VAT is further reduced by 30% if goods or services are supplied to or by taxpayers established in the Dodecanese and other Aegean Islands.

Taxpayers must file monthly or quarterly VAT returns depending on the type of books they are required to keep for accounting purposes. An annual return must be filed within four months and 10 days from the end of the financial year or one month and 25 days from their year-end, again depending on the type of books kept.

### *VAT exemptions*

Certain deliveries of goods and services, although falling within the scope of the VAT principles mentioned above, are exempt. As of 1 July 2010 the exemption from VAT provided to lawyers, notary publics, land registrars and bailiffs was abolished. Furthermore, the exemption from VAT provided for medical services supplied by private hospitals/clinics was also abolished as of 1 July 2010.

The exemptions provided by the VAT law can be classified into two broad categories:

- exemptions which preclude the recovery of VAT on inputs; and
- exemptions which do not preclude the recovery of VAT on inputs.

Examples of the first category of exemptions are the provision of services of a social or cultural nature (such as educational services) and also insurance, financing and most banking activities provided to EU residents.

Examples of the second category include export transactions, international transit of goods, and transactions in relation to shipping.

### *Import duties*

For a discussion on import duties, see Chapter 3.

### *Insurance tax on insurance companies*

Insurance tax is levied on the amount of premiums and related costs charged by insurance companies and is borne by the customers.

Tax rates vary depending on the type of insurance cover from 4% to 20%. However, premiums on life insurance policies exceeding 10 years are specifically exempt from this tax.

### *Contribution of Law 128*

With very few exceptions (loans between banks, loans to the Greek State, loans funded by the EIB, loans to persons living in small islands) an annual contribution of 0.6% (0.05% per month) is imposed on the average outstanding monthly balance of each loan granted by a bank to a Greek resident (the rate is 0.12% for housing loans).

### *Capital concentration tax*

A tax of 1% is imposed on the accumulation of capital by enterprises, including branches of non-EU based foreign companies, joint ventures and profit-making associations.

Amounts subject to this tax are those arising from:

- The establishment of an entity and any increase in its capital.
- The increase in the assets of an enterprise in exchange for rights similar to those of a partner; for example, vote or profit participation.
- Loans where the lender has the right of participation in the enterprise's profit.
- The establishment of a Greek branch of a foreign entity, except for branches of entities resident in an EU member state, on what is considered fixed or working capital.
- The increase in capital resulting from the conversion or merger of an entity not previously subject to this tax into or with an entity subject to this tax.

Exemptions from this tax are granted to agricultural co-operatives and shipping companies. Educational and philanthropic organizations, as well as entities providing public utility services when at least half of their capital is held by the State or local authorities, are also not subject to the tax.

Increases of capital by capitalization of profits, retained earnings, or reserves are not subject to this tax.

### *Competition committee duty*

A duty of 0.1% is imposed on the capital of AEs upon incorporation or increase.

### *Stamp duty*

Stamp duty is now payable only on a limited number of transactions and documents, in the form of a percentage of the value of the transaction.

Commonly encountered transactions that are subject to stamp duty on their value and the applicable rates, are:

Property rentals (commercial)	3.6%
Commercial loan agreements (if lender is not a bank)	2.4%
Private loan agreements (depending on nature of parties)	2.4% - 3.6%
Cash withdrawal facility	1.2%

### *Consumption tax*

Consumption tax is still levied on some goods transferred from other EU member states, and locally produced goods, including, alcohol, tobacco and petroleum products.

### *Classification duty*

Cars, trucks and motorcycles are subject to classification duty, which is determined by the engine size of the vehicle. This duty is payable at the time of entrance of the vehicle into Greece or at the time local production is completed.

### *Circulation (road) taxes*

Cars, trucks, and motorcycles are subject to an annual road tax, the tax burden being determined by the engine size and age of the vehicle.

### *Taxes on real estate*

See chapter 8 for information regarding taxes on real estate.

### *Municipal duties*

There are several municipal duties for specific purposes; e.g. for cleaning and lighting, advertisements, car rental companies, the use of public places, hotels/bars/restaurants, and places of amusement.



## Chapter 6

# Taxation of individuals

### Overview

Persons residing (domiciled) in Greece are liable to income tax on their world-wide income, whether remitted to Greece or not. Where tax has already been paid outside Greece on non Greek source income, the tax may be deducted up to the amount of tax payable in Greece on the same income. This applies only to the tax which has been paid in a country with which Greece has signed a Double Tax Treaty.

Non-residents are taxed only on Greek source income.

An individual is considered to be resident (domiciled) in Greece if he resides in Greece for more than 183 days in total within the calendar year. Residence (permanent) is assumed to exist unless the taxpayer can prove the opposite. Because the 183 days rule has recently been introduced, it is anticipated that clarifications will be provided regarding the nature of documentation/evidence required to be filed by taxpayers who wish to prove they are not residents (permanent).

If the individual wishes to transfer his residence to another country, he is obliged to provide evidence/documentation to be determined by the Ministry of Finance.

A Greek tax resident cannot be considered to have changed his tax residence and become a tax resident of a country included in the list of non cooperating countries issued by the Ministry of Finance. Furthermore, a Greek tax resident who transfers his residence or usual residence to a country with a preferential tax regime and has in Greece substantial financial interests is considered to be subject to tax in Greece for his global income for a period of five years after the change in residence. This period commences from the filing of the declaration for the change of the residence.

### Basic principles

Taxable income is classified into six categories (real estate, investment, employment, agricultural, business, and professional). Although income

from each source is separately computed, individuals are subject to tax on the aggregate of income from all categories.

Married persons are subject to tax separately on their own income but are required to file a joint tax return.

Greek tax resident individuals and EU residents earning 90% of their income in Greece are subject to income tax at progressive rates, which commence at 0% and increase to a maximum of 45% on taxable income in excess of EUR 100 000. For other foreign tax resident individuals, the progressive income tax rates commence at 5% and not 0%, while they are not entitled to deductions from taxable income and tax credits available to Greek tax residents. A 1.5% discount or EUR 118 (whichever is lower) is granted if the annual income tax return is filed electronically (through the Internet).

### **Imputed versus actual income**

Legal provisions designed to prevent tax evasion specify that individuals are taxed on their declared income or imputed income, whichever is higher. The minimum annual imputed income is set at EUR 3 000 for single taxpayers and at EUR 5 000 in the aggregate for a couple who files a joint tax return.

Income is imputed on the basis of living expenditure and expenses for the maintenance or acquisition of certain assets (i.e. real estate, owned or leased motor vehicles, pleasure boats, aircrafts, helicopters, swimming pools, tuition fees, housekeeping staff, repayment of loans, etc).

Income thus imputed will constitute taxable income if it exceeds the declared family income (that of the taxpayer, his spouse and his dependants), unless there is evidence that the difference between the imputed income and the declared income is covered by borrowing, or savings that have been taxed or exempted from tax in the past, from gifts which have been subjected to or exempted from gift tax, from income taxed abroad (or exempted) and imported to Greece, etc.

### **Determination of the income tax liability**

Certain personal deductions and tax credits are available to residents in computing their taxable income. These deductions and credits are not available to non-residents (except for EU residents earning more than 90% of their income in Greece).

### *Deductible expenses*

The following expenses of a personal nature are deductible on condition that appropriate receipts exist:

- Obligatory contributions to social insurance funds.
- Fees paid to doctors, dentists and orthodontists for the taxpayer and his dependants.
- 20% of the acquisition cost of shares in mutual funds up to EUR 3 000 on the condition that they are not transferred for three (3) years from their acquisition. The above apply for shares in mutual funds acquired from 1 January 2005 to 31 December 2009.

Additional deductions are available if the taxpayer and/or his dependants are disabled, blind, or war victims.

Expenses incurred by individuals in connection with the earning of investment income (brokerage, management fees) are not deductible.

An individual who earns only employment income may not deduct expenses such as depreciation on motor cars or home computers.

### *Tax credits*

The tax payable is decreased by 20% of:

- Total annual amount of hospital care expenses; up to EUR 6 000.
- Annual rent for the primary residence of the taxpayer and his family up to EUR 240.
- Annual rent for the accommodation of children attending courses in approved schools up to EUR 240.
- Annual expense for the taxpayer and dependent children for private lessons at home or for tuition of any recognized educational level or foreign language up to EUR 240.
- Interest on loans granted on or after 1 January 2003 for the acquisition of a primary residence of up to 120 sq.m. The amount of interest recognized for this purpose is limited to interest payments corresponding to a loan principal of up to EUR 200 000. For loans granted before 2003 a different treatment applies.
- Life, health and personal accident insurance premiums up to EUR 240 for single taxpayers and EUR 480 for families.
- Alimony paid to ex spouses; up to EUR 3 000.

- Cash donations to the State, municipalities and certain other local institutions (religious, philanthropic, educational, medical), including donations of medical equipment and ambulances to certain hospitals as well as sponsorships to private cultural not-for-profit institutions. The total tax credit cannot exceed 10% of total taxable income. Cash donations and sponsorships exceeding EUR 300 must generally be deposited with a bank or the Fund of Deposits and Loans (not applicable for donations to the State).
- Lawyers' fees up to 10% of total taxable income.

Further, the tax payable is also decreased by 20% (up to EUR 3 000) and by 10% (between EUR 3 001 and EUR 6 000) of expenses which are incurred for the energy upgrade of buildings.

The tax payable is also decreased by EUR 60 for each child for a taxpayer who earns employment income on condition that he offers his services in or resides for at least nine (9) months within the taxable year in certain border areas of Greece.

#### *Income tax scales / Tax rates*

The income tax scale and corresponding tax rates for individuals (self-employed/free-lancers as well as employees and pensioners) are as follows for 2011 (amounts in Euro):

<b>Income bracket</b>	<b>Tax rate</b>	<b>Tax per bracket</b>	<b>Aggregate income</b>	<b>Aggregate tax</b>
First 12 000	Exempt	0	12 000	0
Next 4 000	18%	720	16 000	720
Next 6 000	24%	1 440	22 000	2 160
Next 4 000	26%	1 040	26 000	3 200
Next 6 000	32%	1 920	32 000	5 120
Next 8 000	36%	2 880	40 000	8 000
Next 20 000	38%	7 600	60 000	15 600
Next 40 000	40%	16 000	100 000	31 600
Exceeding 100 000	45%			

The application of the first tax free bracket is conditional upon the taxpayer collecting and submitting a certain amount of receipts and invoices for the purchase of goods and services the value of which depends on total taxable income. EU residents earning over 90% of their income in Greece are entitled to the tax free bracket without having to collect and submit receipts.

Receipts and invoices that are excluded are those concerning: a) expenses that are deductible from taxable income (deductible expenses), b) expenses that give rise to tax credits, c) expenses for the acquisition of assets that give rise to imputed income and d) utility bills, telecommunication bills and transportation tickets.

The minimum amount of receipts required is calculated as a percentage of declared and taxable income as set out below:

<b>Taxable Income in EUR</b>	<b>Value of receipts required</b> <i>(percentage of taxable income)</i>
Up to 6 000	0%
Up to 12 000	10% of taxable income (i.e. receipts of EUR 1 200 for taxable income of EUR 12 000)
In excess of 12 000	10% for the first EUR 12 000 of taxable income (i.e. EUR 1 200) and 30% of taxable income in excess of EUR 12 000

The tax-free amount of the first income bracket is increased by EUR 1 500 if the taxable person has one dependent child, by EUR 3 000 for two children, by EUR 11 500 for three children and by EUR 2 000 for each child above three.

A supplementary tax is computed at the rate of 1.5% or 3% on gross rental or imputed income from real estate that is taxable. The 3% rate applies where the real estate is used for residential purposes and exceeds 300 square meters. This tax cannot exceed the taxpayer's main income tax.

Foreign residents are taxed on the basis of the above income tax scales but they must pay tax at the rate of 5% on the first EUR 12 000 of their income (except for EU residents earning over 90% of their income in Greece).

### **Return filing and payment procedures**

The tax year for individuals ends on 31 December and individuals are generally required to file an income tax return by 1 March of the following year. The exact filing date also depends on the last digit of the individual's tax registration number. However, there are numerous exceptions depending on the nature of the individual's taxable income or of the taxpayer. For example, if the taxpayer's income includes income from employment, or if the tax payer is a non-resident, the filing deadlines commence on 2 May.

Income tax becomes due when the assessment is issued by the authorities. The income tax may be paid in three equal installments, the first of which is due one month following the assessment of the income tax.

A 1.5% discount is granted if the tax assessed is paid in a lump sum within the deadline for the payment of the first installment. An additional 1.5% discount or up to EUR 118 is granted if the return is filed through the Internet.

The tax assessment will include an amount equal to 55% of the relevant year's tax payable as an advance against the following year's tax, except when the income declared has tax withheld at source (e.g. salaries) and/or the income arises from owner occupied residential real estate.

### **Illustrative tax computation**

Personal Tax Computation for income earned in 2011.

Assumptions:

Salaried residents living in Athens insured for social security purposes after 1992 for the first time, married with two children whose spouse has no taxable income with living expenses enabling them to fully utilize the tax free bracket. Annual salary of EUR 41 000. For the purposes of this computation no tax has been withheld at source.

	<b>Euro</b>
Gross annual salary	41 000.00
Less Social security contributions (16%)	(6 560.00)
<b><i>Taxable income</i></b>	<b>34 440.00</b>

<b>Calculation of income tax payable:</b>	<b>Euro</b>
Tax free bracket corresponding to two children of EUR 15 000 (i.e EUR 12 000 plus EUR 3 000)	Exempt
18% tax on EUR 1 000	180.00
24% tax on EUR 6 000	1 440.00
26% tax on EUR 4 000	1 040.00
32% tax on EUR 6 000	1 920.00
36% tax on remaining EUR 2 440	878.40
<b><i>Income tax thereon</i></b>	<b>5 458.40</b>
Less 1.5% discount or EUR 118 (if income tax return is filed electronically)	(81.88)
<b><i>Income tax payable</i></b>	<b>5 376.52</b>

### **Income tax withholdings on salaries**

Employers are required to withhold income tax from salaries, wages and other remuneration paid to their employees. The amounts withheld are determined in accordance with the scale of ordinary income tax rates applicable to individuals. In this case, the tax withheld ranges between 0% and over 30%. At the end of the year the employer is obliged to prepare an annual return of amounts paid and taxes withheld.

Amounts withheld are accounted for by the employer to the tax authorities on a bi-monthly basis except for businesses that employed more than 50 persons on average in the previous fiscal year, in which

case the tax withheld must be accounted for monthly.

By 15 February of each year the employer is required to issue to each employee a statement of the amounts paid and tax withheld, a copy of which must be filed by the employer with the tax authorities within March, together with the return listing all employees and detailing for each employee the amounts paid and tax withheld during the year.

As of 1 January 2012, remuneration paid to administrators of an EPE and fees paid to Board members of an AE out of corporate profits are subject to a withholding tax at the rate of 25%. The 25% withholding extinguishes the income tax liability of the recipient of the remuneration/fees unless the recipient is taxed for his income at lower tax brackets in which case the excess tax is refunded. For fees and remuneration paid out of corporate profits during 2011, the withholding tax rate is reduced to 21%.

In case of fees (other than from taxed profits or fees which are considered employment income) paid to directors of AEs, taxes will be withheld at the rate of 20% or 35%, depending on the nature of such income (professional, investment or commercial). The withholding of 20% or 35% is considered a final tax.

### **Professional income**

Fees paid to freelance professionals by businesses are subject to a withholding tax at the rate of 20% (which is treated as an advance tax against the ultimate income tax liability). Fees up to EUR 300.00 are not subject to tax withholding.

### **Fringe benefits**

Generally, all fringe benefits are considered employment income and are subject to income tax in the hands of the employees. As of 1 January 2010, the use of company cars generates additional annual income for company executives who have the use of such cars and is thus taxed as employment income in their name, whether or not the cars are owned or leased by the company. The taxable annual income arising from the use of company cars is calculated as a percentage of the manufacturer's sale price in the year it first circulated (ranging between 15% and 30%). There is no taxable income where the manufacturer's sale price is under EUR 15 000.

Reimbursement of expenses incurred by the employee for the purpose of carrying out assigned employment duties (such as travel and promotional expenses) should not be deemed to be fringe benefits employment



income. In any case, the exemption from income is conditional to the expense being evidenced by the appropriate tax document (receipt, invoice) as required by the Code of Books and Records. Accordingly, general allowances paid to employees which are not supported by the appropriate tax record would be deemed to be employment income, even if they are designated to cover expenses of the employees in carrying out their employment duties.

### **Stock options**

The benefit acquired by Board members, directors, managers or personnel of a Greek listed AE company from the exercise of stock options is taxed as employment income whereas the relevant cost to the company is a deductible expense.

The benefit resulting from the exercise of stock options is calculated as the difference between the price paid by the beneficiary and the closing price of the listed shares at the time of exercise of the stock options.

In case the beneficiary has left the company at the time of exercise of the stock options, the benefit acquired is considered professional income and taxed accordingly.

The same tax treatment also applies to stock options granted by a foreign company to the members of the Board and personnel of its Greek affiliates or branches.

The corresponding expense would be deductible by the Greek affiliate or branch only if it is charged to it by its parent.

### **Investment income**

Investment income (for example, interest on loans) is generally subject to a withholding tax of 20% with few exceptions. The gross interest is taken into account in arriving at the total tax liability, whereas the 20% is treated as an advance tax against such liability.

### *Profit sharing*

The distribution of corporate profits under employee profit sharing schemes is treated as investment income in the hands of the employees and is taxed in the same manner as dividends (see below). It is also subject to social security contributions.

### *Dividends*

As of 1 January 2012 a withholding tax of 25% is imposed on dividends of Greek corporations. The 25% withholding extinguishes the income tax

liability unless the tax payer is taxed for his income at lower tax brackets in which case he will be entitled to a refund. Such provision does not apply to dividends received from foreign entities for which a withholding tax of 25% applies and extinguishes the tax liability of the individual without having the right for a refund.

For dividends distributed during 2011, the withholding tax rate is 21%.

### *Interest*

Interest earned by individuals from bank deposits in Greece, as well as interest earned by Greek resident individuals from deposits abroad and from bond loans issued abroad (including bonds issued by foreign subsidiaries of domestic banks) is subject to tax at source at a rate of 10%. Interest earned on government and corporate bonds and treasury bills is subject to a 10% withholding tax (unless the recipient is a non-resident). Also, this 10% tax is withheld by Banks on accrued interest from Greek bonds that are disposed of by Greek residents before the date of maturity. These are final taxes and there is no further tax liability. If a double taxation treaty applies, the rate of withholding may be further reduced for non-residents. Interest from deposits in foreign currency held by non-residents remain free of tax.

Interest payments made by an individual to a foreign individual or legal entity are subject to a 40% withholding tax with exhaustion of foreign recipient's tax liability (the rate of withholding may be reduced if a double taxation treaty applies).

### *Mutual funds*

See "Other Incentives" in Chapter 2.

### **Capital gains tax**

Capital gains tax, as discussed in Chapter 5, also applies to individuals except that capital gains on the transfer (sale) of private assets (excluding shares or participations in partnerships or EPEs) are not taxable. Notwithstanding the rates set out in Chapter 5, it should be noted that the transfer of individual enterprises or participations in partnerships between relatives is subject to the following lower capital gains tax rates:

- 5% on the capital gain for transfers made to spouses, children and parents. Transfers made to a spouse or child due to the retirement of the entrepreneur/partner are exempt from capital gains tax. In case however the partnership owns real estate, a 5% tax is imposed on the objective value of the real estate that corresponds to the participation being transferred.

- 10% on the capital gain for transfers made to grandchildren, grandparents, children recognized voluntarily or through court decisions, siblings, stepfathers and stepmothers, uncles/aunts, nephews/nieces, children of the spouses' former marriage and parents-in-law.

### **Inheritance and donations (transfer) tax**

Inheritance/donations (transfer) tax is based on the value of property received. The tax is based on a graduated scale of rates which increases as the value of the property increases.

The rates also vary depending on the degree of relationship between the deceased or donor and the recipient of the property. Lower rates are imposed on close family members than on distant relatives or unrelated persons. Similarly, close family members are granted a higher tax free bracket and broader brackets with lower tax rates than distant relatives or unrelated persons. The tax rates for all degrees of relationship range from 0 to 40%.

This tax applies on all property located in Greece as well as on movable property located abroad owned by Greek citizens or foreign nationals permanently resident in Greece.

The recipient of an inheritance or donation is obliged to file a tax return within six months following the death of the legator (if no will exists), the publication of the will, or the receipt of a donation.

### **Foreign employees**

Foreign nationals employed in Greece who remain non-residents are subject to tax only on income from a Greek source, including income from services rendered in Greece. Unless otherwise specified in a tax treaty with the country of the individual's residence, such income will be taxed in the same manner as that of a person resident in Greece.

The tax treaties usually dictate that the resident of another country will not be subject to income tax in Greece if all of the following are true:

- The individual is present in Greece for 183 days or less in any tax year.
- The remuneration is received from an employer who is not a resident of Greece.
- The remuneration is not deducted as an expense of a permanent establishment which the employer has in Greece.

Income from employment includes all receipts of cash as well as benefits

in kind received in connection with services rendered to the employer. However, where the benefit received by employees is in effect a reimbursement of an expense incurred by employees for the purpose of enabling them to carry on their work, it does not constitute income of the employees as long as the appropriate tax records for the expenses have been obtained. For expatriate employees, it has been possible for items such as company-provided housing and school fees to be non-taxable reimbursements given that they offset costs of the expatriate due to relocation.

For foreign employees who are not Greek residents and for Greek employees who reside outside Greece, all of whom are employed by Law 89 entities and certain shipping companies, the components of imputed annual income do not include imputed car expenditure or rent.

## Chapter 7

# Labor

### Residence permits for work purposes

Citizens of EU member states residing or working in Greece for a period exceeding three months must obtain a certificate of registration of EU citizen. In practice, it may be necessary to obtain such a certificate even if the stay is shorter than three months.

Citizens of states outside the EU must apply for a work visa before arriving in Greece and for a residence permit after their arrival in Greece. Because the application procedure for work visas is lengthy, the procedure should be commenced well in advance of the planned date of arrival.

### Wage regulations/Labor agreements

Minimum rates of pay are set each year (or every two years) by the National General Collective Labor Agreement. Certain industries and trades have established their own Collective Labor Agreements (CLA) which provide their own minimum wage and salary rates on the basis of the number of years of service (Sectorial or Professional CLAs). Very recently “Specific Business Collective Labour Agreements” were introduced which regulate the employment terms for each business and can deviate from the rates of pay set by Sectorial or Professional CLAs. However, neither the Sectorial or Professional CLAs nor the specific Business CLAs can set rates of pay lower than those prescribed by the National General Collective Labor Agreement.

Different occupations are usually represented by different labor unions so that more than one union may be represented in the same enterprise.

Discrimination in work made on the basis of an employee's religion or belief, disability, age or sexual orientation is forbidden.

### Minimum age

The legal minimum age for employment is 15 years and those under the age of 18 should not be engaged in dangerous work (industrial work and manufacturing) nor work at night.

### **Working hours, vacations, and public holidays**

The working week is generally 40 hours over five days. Part time work and other flexible working arrangements are possible (eg. seasonal work, rotating employment etc).

In addition to Sundays, the following are obligatory public holidays:

- Independence Day (25 March)
- Easter Monday
- The Assumption of the Virgin Mary (15 August)
- Christmas Day (25 December).

Labor Day (1 May), although not included in the list of obligatory public holidays, can be considered, and usually is, an obligatory public holiday by virtue of ministerial decisions. Except for the above obligatory public holidays, the National Holiday of 28 October is an optional holiday; employers must inform employees accordingly. In addition to the above obligatory and optional holidays, there are also customary holidays during which public services, banks and numerous enterprises are closed. Such customary holidays are New Year's Day or St. Basil's Day (1 January), Epiphany (6 January), First Day of Lent, Good Friday, Whit Monday, and Boxing Day. Certain collective labor agreements include some or all of the above optional/customary holidays in the list of obligatory holidays.

Employees are entitled to paid vacation from commencement of their employment, on a pro-rata basis. Annual vacation must be taken by 31 December of each year. During the first calendar year of employment (i.e. year of hiring), employees are entitled to annual vacation on a pro-rata basis (i.e. 2 working days for each month of employment) but in any case the analogous total annual vacation that they are entitled to will be determined on the basis of 20 working days annually if they work 5-day weeks or 24 working days annually if they work 6-day weeks. One day is added for each of the next two years of employment. After the completion of 10 years of employment with the same employer, or 12 years of employment in total, employees working 5-day weeks are entitled to 25 working days of vacation, and employees working 6-day weeks are entitled to 30 working days of vacation.

Bonuses must be paid to employees of the private sector at Easter, at the time of annual vacation, and at Christmas. Generally, the Easter and vacation bonus is equal to half a monthly salary, whereas the Christmas bonus is equal to one monthly salary. For new employees all the bonuses are prorated on a time basis.

## Overtime

Overtime is the time worked over the maximum daily or weekly working hours established by law. Currently, the law considers the legal maximum weekly working hours to be 40.

As of 15 July 2010, the first five weekly hours above 40 for companies working 5-day weeks and the first eight hours over 40 for companies working 6 days weeks are considered "overwork" and are paid at the agreed hourly rate increased by 20%. Overwork is permitted only in exceptional cases. Time in excess of the 45 or the 48 hours is deemed to be legal overtime and is paid at the normal hourly rate increased by 40% (for up to 120 hours of overtime on an annual basis) and 60% (for more than 120 hours of overtime on an annual basis). Overtime is considered to be legal when certain legal conditions are met. Otherwise overtime is paid at the hourly rate increased by 80%.

During periods of increased demand and following a certain procedure provided for by law, employees working up to 40 hours may be requested to work two additional hours daily with a corresponding reduction of working hours in other weeks (the period of increased and reduced employment cannot exceed four months in total during one calendar year). Alternatively, it can be agreed between the employees and the employer that the daily working hours during certain time periods not exceeding thirty two weeks per year can be increased by up to 256 working hours per calendar year provided that a corresponding reduction in other weeks is also agreed.

## Termination/Dismissals

Termination of employment is possible provided that the employer gives the appropriate notice and pays one half of the legal dismissal indemnity. Dismissal can also be made without notice but with full indemnity. In the case of a salaried employee, the legal maximum dismissal indemnity payable is equal to 24 monthly salaries for the dismissal with immediate effect of an employee having completed 28 years of service (or more) with the same employer (to be reduced to 12 monthly salaries if six months prior termination notice is given). Dismissal indemnity (and the relevant notice period) increases as seniority increases. In case of termination of an employment agreement by the employer during the first year of employment, no notice period is required nor is any dismissal indemnity payable. Enterprises employing between 20 and 150 people can normally not dismiss more than six employees per month whereas enterprises with more than 150 employees cannot dismiss more than 5%

of their workforce per month (but not more than 30 employees in each calendar month) otherwise the dismissals will be considered mass dismissals. For valid mass dismissals, a certain procedure must be followed otherwise the dismissals will be invalid. Mass dismissal rules do not apply upon the closing of a company.

An indemnity is payable to employees who leave employment when they meet the full retirement conditions provided for by Greek social security legislation. The amount payable is equal to 40% or 50% of the dismissal indemnity that would have been payable in case of a dismissal (the amount payable depends on whether or not the employee was insured with a supplementary fund).

Dismissal of a female employee during the period of her pregnancy as well as for a period of one year after the birth of her child is legally invalid, unless the dismissal is for a serious cause and the procedure provided for by the applicable legislation is followed. The deterioration of the employee's performance due to the pregnancy itself does not qualify as a serious cause. Termination of employment by the employer during sickness is not prohibited by law. During periods of sickness and for up to one month depending on the employee's term of service, the employer is obliged to pay all or part the salary to the employee, whereas a sickness allowance is also paid to the employee by the Greek social security authorities provided that the absence from work due to sickness has lasted more than three days (other conditions must also be met).

### **Social security system**

Greece does not, at present, have a uniform Social Security System. There are more than ten different social security funds covering various sectors of the population but it is anticipated that they will be reduced to three in future. For example, there is a separate fund for professionals (covering doctors, lawyers, engineers), another one for other freelancers including commercial traders and self-employed individuals and other separate funds for the merchant marine, for farmers, for civil servants and for other employed persons in general. All funds are under the direction of the Ministry of Employment and Social Protection.

In addition to the basic Social Security Funds, employed persons must also be covered by a supplementary retirement fund. The main Social Security Fund for regular employees is IKA and their main supplementary retirement fund is ETAM.

All employers are required to register with IKA and must register their



employees upon commencement of employment. Their registration with and contributions payable to ETAM are handled by the IKA offices.

Registration with the Social Security Authorities applies to both Greek nationals and foreign nationals employed in Greece.

From time to time, incentives are provided to employers in the form of reduced contributions or subsidies for the purposes of maintaining or creating employment positions. Provisions have been introduced obliging employers to make social security contributions on behalf of dismissed employees who are close to retirement.

### *Foreign employees*

Foreign employees may, in certain circumstances, be exempt from registering with the Greek social security system. Specifically, only foreign nationals who are residents of EU countries or of non-EU countries having bilateral Social Security Agreements with Greece may be temporarily exempt from being insured with a Greek social security fund on the normal condition that they have been seconded to work in Greece by their employers and they continue to be insured in the country of their origin.

Specific procedures must be followed and documentation for such exemptions should be obtained.

### *Social Security contributions*

The employee's social security contribution is withheld on a monthly basis from the salary by the employer. The total amount of the Social Security contribution of employer and employee is remitted monthly to the authorities by the employer. Penalties for late payments are imposed up to a maximum of 120% of the contributions. Failure to register the employee from the first day of employment entails a penalty of EUR 500 for each employee. The contributions are based on the employee's monthly salary which, including the statutory bonuses, is payable 14 times per annum.

The maximum monthly salary on which contributions are payable is revised periodically. Currently, the maximum monthly salary for social security purposes is EUR 5 543.55 for employees having been insured with IKA on or after 1 January 1993 and EUR 2 432.25 for employees having been insured for the first time until 31 December 1992. Expatriate employees who were insured abroad before commencing employment in Greece may apply to be subject to the relevant ceiling if they are from an EU state or from a state with which Greece has a bilateral social security treaty.

The contributions are calculated on the gross salaries or salary ceilings at the following rates:

<b>Fund</b>	<b>Employer (%)</b>	<b>Employee (%)</b>	<b>Total (%)</b>
IKA	25.06	13.00	38.06
ETAM	3.00	3.00	6.00
Total	28.06	16.00	44.06

The contributions are increased where employment is of a hazardous or exceptionally demanding nature.

#### *Benefits provided*

The social security system provides benefits on retirement and in the event of sickness, industrial injury, unemployment, maternity and parenthood. A system of paying family allowances is also in force.

#### *Unemployment*

Employees are entitled to unemployment compensation for a period of five to twelve months, depending on the period for which they were previously employed and during which they contributed to the Social Security Funds. The maximum unemployment compensation varies, depending on the number of the dependant family members of the insured.

#### *Pensions*

Following recent amendments to social security legislation, two kinds of pension exist as of 1 January 2015, specifically, the basic pension and the proportional pension.

The basic pension is to be paid:

- from the date individuals meet retirement conditions, and
- to uninsured individuals or individuals having accumulated 4 500 insured working days provided that they meet certain conditions (i.e. following the completion of their 65th year of age, permanent stay in Greece for a period of at least 15 years between their 15th and 65th year of age etc.).

The provision of a proportional pension is conditional upon the occurrence of two events:

- i. reaching of a certain age, and
- ii. the accumulation of a certain number of insured working days.

Following recent amendments to social security legislation, both the age and the insured working days required for the proportional pension are increased on an annual basis until 1 January 2015 when the requirements are the 60th year of age and 12 000 insured working days.

### *Sickness*

Persons insured with IKA for at least 80 working days during the previous calendar year or during the previous fifteen months (not taking into account the last three months of the fifteen-month period in question) are entitled to medical treatment by IKA doctors free of charge and to dental treatment at a reduced cost. Medicine prescribed by doctors may generally be obtained at reduced prices and, in some cases, free of charge.

In addition, an insured employee is entitled to collect a sickness benefit provided that during the previous calendar year he has accumulated at least 100 working days. The maximum sickness benefit paid by IKA is adjusted regularly based on the maximum monthly remuneration on which Social Security is payable. In the case of sickness, the employer is obliged to pay up to one month's salary to each employee. However, the amount payable by the employer is reduced by the relevant amount paid by the Social Security Fund.

### *Industrial injury*

Any employee injured or disabled as a result of and in the course of his employment is entitled to compensation and/or a disability pension for the period of his absence from work, irrespective of the period previously employed provided that he has accumulated at least one insured working day. The amount payable by IKA is the same as that for the sickness benefit.

### *Maternity - Parenthood*

A lump sum benefit is payable upon the birth of a child upon certain conditions. The benefit is payable to the husband when the mother is not insured. In addition, the insured mother is entitled to maternity leave of 17 weeks; 56 days preceding the expected date of delivery and 63 days following and she will receive a benefit from IKA determined in the same manner as for the sickness benefit.

Nursing leave is also provided, which is in the form of the reduction of the daily working hours by one hour daily until the completion of thirty (30)

months from the expiry of the maternity leave (i.e. during the above period they can start working one hour later or stop working one hour earlier). Different arrangements can be mutually agreed between the employer and the employee.

Finally, a special leave of six months is also provided and is granted to female employees who are employed by virtue of dependent employment agreements and are insured with IKA. The leave may be taken after the expiry of the maternity leave or the expiry of the nursing leave if taken as a continuous leave (3 ½ months). The special leave is exclusively funded by the Unemployment Office (OAEΔ) for eligible mothers/employees with no obligation of the employer to pay any portion of the salary during the leave.

## Chapter 8

# Acquisition of real estate/ Other tenure forms

## Regulations for acquisition (border areas)

Generally there are no restrictions on non-residents acquiring real estate in Greece. However, all interested purchasers, including Greek residents, must obtain prior permission from the appropriate authorities before purchasing real estate in border areas. In the case of non-EU residents, the definition of border areas is expanded and the procedures and conditions for obtaining the necessary consent are more burdensome.

## Taxes arising on acquisition, ownership, occupation, and disposal (including leases)

### *Acquisition*

VAT is imposed on the transfer of new buildings (whose construction licenses were issued or amended after 1 January 2006) at the rate of 23%, on condition that they are to be used for the first time by the purchaser as his secondary residence or commercial property.

Following this first transfer, every subsequent transfer is subject to real estate transfer tax. The transfer of old buildings (whose construction licenses were issued up to 31 December 2005) as well as land and new buildings to be used as the purchaser's primary residence is not subject to VAT but to real estate transfer tax.

Real estate transfer tax is computed on the contract price or the objective value, whichever is higher. The objective value system covers real estate situated in almost every part of Greece and is a method adopted for mitigating disputes between the tax authorities and the taxpayer as to the taxable value of real estate. Where no objective values exist, the value is determined by the tax authorities. Real estate transfer tax rates are 8% on the first EUR 20 000 and 10% on the balance. A local authority surcharge, equal to 3% of the transfer tax, is also levied. Under certain circumstances (purchases of certain agricultural land and primary residences), full or partial exemption from this tax may be obtained. Mergers of real estate companies are exempt from real estate transfer tax, provided that the absorbing real estate company possesses all the

shares of the absorbed company.

### *Ownership*

Tax on ownership is imposed in the form of real estate tax. Real estate tax is imposed annually and applies to the total objective tax value of real estate situated in Greece and owned by individuals or legal entities on 1 January of each fiscal year starting from 2010. For real estate owned by individuals, this tax is levied at progressive rates ranging from 0.1% to 1% of the objective value whereas the tax free threshold is EUR 400 000 per owner. Especially for financial years 2010, 2011 and 2012 the tax rate is 2% on any taxable value exceeding EUR 5 000 000 000.

For real estate owned by legal entities, the taxable value is also based on the objective tax values (irrespective of the values in their books) and taxed at 6‰ for businesses or at 3‰ for not-for-profit organizations whose objects are educational, religious or charitable. A reduced rate of 1‰ applies on certain categories of buildings including owner occupied buildings used by entities to carry out their activities. Any tax due on the total value of buildings cannot be less than 1 EUR per sq. m. with the exception of semi-completed buildings. Especially for financial years 2010, 2011 and 2012, the taxable value of that portion of owner-occupied real estate used by hotel enterprises is taxed at 0.33‰ without the minimum tax of 1 EUR per sq.m. applying.

Finally, certain categories of real estate and certain taxpayers (for example the state, public legal entities, churches, monasteries, museums etc.) are exempt from real estate tax.

Real estate tax is not deductible for income tax purposes.

Real estate tax replaced the real estate duty which was introduced in 2008.

### *Occupation/Rental income*

Income from real estate is subject to income tax at the rates described in the previous chapters. There are special rules applicable to determine net taxable income where the income is earned by individuals and foreign entities which do not have a permanent establishment in Greece, and not all expenses (including depreciation) are necessarily taken into account.

The occupation of owner-occupied real estate gives rise to imputed taxable income. The annual imputed income on owner-occupation of (or rental of or free use of) a primary residence is calculated according to a specific scale based on its surface area and on the objective value applicable to real estate in the particular zone where the real estate is

located. For secondary residences the annual imputed income is reduced by half. Businesses receive a deduction equal to their imputed income, thus there is no income tax effect.

In addition to income tax payable on rental income, individuals are subject to a 1.5% supplementary tax on gross rental income, which is increased to 3% if the real estate is used for residential purposes and exceeds 300 square meters. This supplementary tax cannot exceed the tax payable on this income. Corporations are subject to the same supplementary tax, however the 3% rate applies to all their rental income.

Stamp duty is payable on rental income at a rate of 3.6% for commercial leases only.

Rental income is generally not subject to VAT, however the rental of shopping malls under certain conditions, of furnished units with certain added services and of equipped industrial premises, are subject to VAT at the rate of 23%.

### *Disposal*

Real estate transfer tax or VAT on the transfer of real estate, as applicable, is paid by the purchaser (see Taxes on Acquisition). There is no capital gains tax imposed on the Seller on the disposal of real estate except that the gain arising when the property is owned by a business is treated as ordinary income of the business.

### *Compulsory revaluation of real estate*

Since 1992, all enterprises maintaining double-entry accounting books are obligated to revalue their land and buildings every four years beginning in 1992.

Buildings and land acquired within the revaluation year are not subject to revaluation.

The obligatory revaluation is effected once every four years by applying the revaluation rates prescribed by law. The last revaluation was in 2008.

The revaluation surplus, if it exceeds EUR 880, is subject to 2% tax for land and 8% tax for buildings and must be capitalized within two years of the revaluation.

Companies that are required or opt to revalue real estate for IFRS purposes are exempt from such tax.

### *Tax savings from depreciation*

Buildings are subject to depreciation on a straight-line basis at rates

ranging from 2% to 12%, depending on the use of the building. The minimum rate of 2% applies to airport buildings used as passenger terminals. Depreciation is deductible when the building is used for business purposes. If an individual or non-resident entity earns income from real estate, depreciation is not deducted per se and net taxable income is determined in accordance with the rules provided for in the tax law.

For businesses, real estate transfer tax, as well as other costs ancillary to the acquisition (such as notary and lawyers' fees), may be either fully written-off during the financial year in which they are incurred or in equal installments over a period not exceeding five years.

### *Special tax on real estate*

A special annual tax is imposed at the rate of 15%, calculated on the value of the real estate, on offshore legal entities, companies or legal forms of any type (including trusts) that own the freehold or usufruct of real estate located in Greece effective from 1 January 2010. However, the following exemptions apply:

- Companies whose shares are quoted on a qualified stock exchange.
- Companies whose profits from immoveable property are less than those from other sources.
- Shipping companies of Law 89/1967 and companies owning commercial vessels regarding real estate that they either use in Greece exclusively as their offices or warehouses in order to meet their own operational needs or rent to similar companies exclusively as offices or warehouses in order to meet their operational needs (following a relevant application to the ministry of Finance).
- State owned companies.
- Legal entities which pursue educational, religious or charitable purposes in Greece (following a relevant application to the Ministry of Finance).
- Companies that construct their own premises (for seven years following the submission of the necessary documentation to the competent authority for the issuance of the initial building license).
- The State, foreign States on condition of reciprocity, and known religions are also exempted as are insurance funds or social security funds as well as Real Estate Portfolio Investment Companies regulated by the authority of their registered place of business, with the



exemption of those which are registered in non cooperating countries according to the provisions of paragraphs four and five of article 51a of the Greek Income Tax Code (Law 2238/1994).

Companies that have their registered place of business in Greece or in another EU country are exempt from this tax provided they are:

- Corporations (SA) which have registered shares in the name of individuals or which declare the individuals who are the ultimate owners and such individuals have obtained a Greek tax registration number.
- Limited liability companies or partnerships that have parts owned by individuals or declare the individuals who own the participating companies and which individuals have obtained a Greek tax registration number.
- Companies with registered shares or partner's units directly or indirectly owned by foundations that pursue objectives for the public benefit.

For the above three cases, it is not necessary to declare the ultimate shareholder for that portion of shares held in the above entities by listed entities nor by Greek or other EU banks, financial institutions, insurance companies investment vehicles which are EU regulated and certain funds which do not have their registered place of business in a non cooperating country according to the provisions of paragraphs four and five of article 51a of the Greek Income Tax Code (Law 2238/1994) and which are regulated by the authority of their registered place of business.

Furthermore, companies having their registered place of business outside the European Union are also exempt from the tax, provided that:

- an agreement of mutual administrative assistance against tax evasion has been signed with the country of their place of business
- they do not have their registered place of business in a non cooperating country according to the provisions of paragraphs four and five of article 51a of the Greek Income Tax Code (Law 2238/1994)
- they are regulated by the authority of their registered place of business; and
- the individuals who are the ultimate shareholders are declared and obtain a Greek Tax Registration Number.

Certain Public Law Legal Entities, social security funds, trade unions, museums, cultural organizations, co-ops, municipalities and other

organizations are also exempt.

The following persons are fully responsible for the payment of the special tax:

- The intermediary persons (nominees) of the above mentioned companies (as this term is defined in the law).
- The new owner or usufructuary, in case of transfer of the ownership or the usufruct of the real estate respectively.

The tax is calculated on the objective value of the real estate on 1 January each year and is paid at the time of filing the return, which should be filed by 20 May. Imputed income is not applicable in the case of the above mentioned transfer under certain conditions.

## Appendix 1

# Investments that are not eligible under Incentive Law 3908/2011

1. Steel, Synthetic Fibers, Carbon and Shipping Sectors, as these sectors are defined either by the General Exemption Regulation or EU legislation as applicable.
2. Investments carried out by state owned enterprises and organizations, as well as by their subsidiaries provided that at least 49% of their capital is held by such state owned enterprises and organizations.
3. Investments by companies, where at least 49% of their capital is owned by State or public law entities or by district/municipal/communal authorities or who receive regular or extraordinary funding in excess of 50% of their annual revenues from such entities/authorities.
4. Investments carried out by consortiums, civil law companies or joint ventures with the exception of the Synergy and Networking category;
5. Problematic enterprises as defined by the applicable legislation.
6. Investments carried out under the initiative and on behalf of the State on the basis of a relevant project, assignment or services agreement.
7. Investments by authorities, for which an order requesting return of funding is pending on the basis of a decision of the Commission declaring the funding illegal and contrary to the principles of the Common Market.
8. Investments carried out by the following sectors:
  - Production of electricity through photovoltaic systems.
  - Building Construction.
  - Civil Engineering works, excluding the construction of coastal and coast guard installations.
  - Special construction activities.
  - Wholesale, retail and repair of motor vehicles and motorcycles.
  - Wholesale and retail, other than motor vehicles and motorcycles.

- Catering services.
- Radio and television programs.
- Financial services.
- Insurance, Reinsurance and Pension Funds, excluding obligatory social security.
- Activities related to financial and insurance activities.
- Real Estate Management.
- Legal and accounting services.
- Head office activities - Management advisory services.
- Architect and civil engineering services – Technical tests and analysis.
- Advertisement and market research.
- Veterinarian services.
- Rental activities.
- Human resources services.
- Travel agencies and related activities.
- Security services.
- Provision of services to buildings and outdoor facilities.
- Public administration and defense – obligatory social security.
- Education.
- Health.
- Social welfare without accommodation.
- Creative activities, arts and amusement.
- Gambling.
- Sports and Entertainment.
- Organizational activities.
- Provision of Personal services.
- Housekeeping services.
- Production of goods and services for personal use.
- Offshore organizations' activities.

- 9.** Establishment, expansion or modernization of hotels, with the exception of (a) the establishment, expansion or modernization of hotel facilities of at least a three star category or where they are upgraded to at least a three star category and health tourism and (b) modification of traditional or listed buildings into hotel facilities of at least a three star category (minimum) as well as modernization of hotels operating in traditional or listed buildings of at least three stars or where they are upgraded to at least a three star category.
- 10.** Modernization of hotel facilities before the expiration of six years from the commencement of their operation or from the date of issuance of the decision certifying the completion of the modernization investment.
- 11.** Construction, expansion and modernization of rooms and furnished apartments to rent, irrespective of their category.

## Appendix 2

# Expenses that are not eligible under Incentive Law 3908/2011

1. Operating expenses.
2. Purchase of passenger vehicles up to six (6) seats.
3. Transportation means and equipment for investment projects in the area of transportation.
4. Purchase of office furniture and furnishings.
5. Export activities, depending on the quantities and establishment or operation of distribution networks, in accordance with the provisions of the EU General Exemption Regulation.
6. Purchase of land, (in case of purchase of a building, the cost of land is excluded).
7. The value of equipment and other assets contributed by shareholders to a company's capital.
8. Construction or expansion of buildings on land not owned by the qualifying investor, unless the use of such land has been granted by the State or by any authority of the wider public sector or such land has been leased for a period of at least fifteen (15) years.
9. Consultants' fees unless they relate to investments carried out by new small and medium enterprises (in such a case the related expenses are subsidized up to 5% of the investment cost and up to EUR 50 000). Enterprises that have not yet been established or are established within a period of 24 months before the filing of the relevant application qualify as new for the purposes of the relevant provisions.

## Appendix 3

# Summary of Company Law requirements

	Branch	AE	EPE
<b>Formation/Founders</b>			
Minimum number of founders	-	1	1
Residence requirements	No	No	No
Articles	No	Yes/ Before Notary	Yes/ Before Notary
Registration	Yes	Yes	Yes
Publication	Yes	Yes	Yes

## Shareholders

Minimum number	-	1	1
Residence requirements	-	No	No
Meetings	-	Annual within 6 months of year end	Annual within 3 months of year end

## Board of Directors/ Administrator(s)

Minimum number	1	3	1
Residence requirements	Yes (for at least one)	Yes (for at least one)	Yes (for at least one)
Meetings	-	-	-

	Branch	AE	EPE
<b>Shares/Units</b>			
Minimum value	-	EUR 0.30	EUR 30
Maximum value	-	EUR 100	None
<b>Capital</b>			
Minimum	None	EUR 60 000	EUR 4 500
<b>Accounts</b>			
Audit	Yes	Yes	Yes
(in selected cases)			
Publications	No (certain filing requirements only)	Annual	Annual



## Appendix 4

# Withholding tax rates on interest, dividends and royalties

Residence of recipient	Interest	Dividends	Royalties
<b>Non-treaty rates:</b>	40% (5% * when paid to EU associated companies pursuant to directive 2003/49)	21%/25% **	25% (5% * when paid to EU associated companies pursuant to directive 2003/49)
<b>Treaty rates:</b>			
Albania	5	5	5
Armenia	10	10	5
Austria (a)	8	5/15 (b)	7
Azerbaijan	8 (c)	8	8
Belgium (d)	5/10	5/15 (b)	5
Bulgaria	10	10	10
Canada	10 (e)	5/15 (b)	10
China	10(f)	5/10 (b)	10
Croatia	10	5/10 (b)	10
Cyprus	10	25	0/5 (g)
Czech Republic	10	(h)	0/10 (i)
Denmark	8	38 (j)	5
Egypt	15 (k)	10	15 (k)

<b>Residence of recipient</b>	<b>Interest</b>	<b>Dividends</b>	<b>Royalties</b>
Estonia	10 (l)	5/15 (b)	5/10 (m)
Finland	10	47 (j)	0/10 (i)
France	10	(h)	5
Georgia	8	8	5
Germany	10	25	0
Hungary	10	45 (j)	0/10 (i)
Iceland	8 (v)	5/15 (b)	10
India	(h)	(h)	(h)
Ireland	5 (n)	5/15 (b)	5 (n)
Israel	10	(h)	10
Italy	0/10	15	0/5 (i)
Korea	8	5/15 (b)	10
Kuwait	5 (o)	5 (j) (o)	15
Latvia	10 (l)	5/10 (b)	5/10 (m)
Lithuania	10 (l)	5/15 (b)	5/10 (m)
Luxembourg	8	38 (j)	5/7 (p)
Malta	8	5/10 (b)	8
Mexico	10 (q)	10	10
Moldova	10	5/15 (b)	8
Morocco	10 (r)	5/10 (b)	10
Netherlands	8/10 (s)	35 (j)	5/7 (t)
Norway	10	40 (j)	10
Poland	10	(h)	10
Portugal	15	15	10
Qatar	5 (f)	5	5

Residence of recipient	Interest	Dividends	Royalties
Romania	10	45(j)	5/7 (p)
Russia	7	5/10 (b)	7
Saudi Arabia	5	5 (b)	10
Serbia (The treaty signed with the Federal Republic of Yugoslavia)	10	5/15 (b)	10
Slovakia (The treaty signed with Czech Republic)	10	(h)	0/10 (i)
Slovenia	10	10	10
South Africa	8 (u)	5/15 (b)	5/7 (p)
Spain	0/8 (v)	5/10 (b)	6
Sweden	10	(h)	5
Switzerland	10	35 (j)	5
Turkey	12 (w)	15	10
Tunisia	15	35 (j)	12
Ukraine	0/10 (x)	5/10 (b)	10 (n)
United Kingdom	0 (k)	(h)	0 (k)
United States	0 (y)	(h)	0/20 (z)
Uzbekistan	10	8	8

\* According to Directive 2003/49/EC the withholding tax rate of 10% was applicable when interest or royalties were paid to EU affiliates, as this term is defined in Directive 2003/49/EC for four years starting from 1 July 2005. The withholding tax rate is reduced to 5% following the expiration of the four year period (i.e. from 1 July 2009 for the next four years). Following the expiration of the second four year period, the withholding tax rate for interest or royalties paid to EU affiliates will be 0%.

\*\*The 21% rate applies to dividends distributed within 2011 and the 25% rate applies thereafter.

### Notes:

- a.** The treaty between Greece and Austria signed on 22 September 1970 and ratified by Greece pursuant to Law 994/1971 was revised by a new treaty signed on 18 July 2007 and ratified by Greece pursuant to Law 3274/2008. The revised treaty entered into force on 1 January 2010 and will apply to income arising from 1 January 2011. The previous treaty ceased henceforth to apply.
- b.** 5% rate applies if the recipient is a company (not partnership) with a 25% minimum direct holding of the capital of the paying company.
- c.** Interest arising in Greece and paid to the Government of the Republic of Azerbaijan is exempt from Greek tax, similarly interest arising in the Republic of Azerbaijan and paid to Greek Government is exempt from Azeri tax.
- d.** The bilateral treaty for the avoidance of double taxation between Greece and Belgium signed in Athens on 24 May 1968 and ratified by Greece pursuant to Law 41/1969 was revised and replaced by the new bilateral treaty for the avoidance of double taxation between Greece and Belgium signed on 25 May 2004 and ratified by Greece pursuant to Law 3407/2005. The revised treaty entered into force on 1 January 2006. The previous treaty ceased henceforth to apply.
- e.** Nil rate applies if the recipient of the interest is the other State or a political subdivision or a local authority or the Central Bank of the other State.
  - b) Interest arising in Greece and paid to a resident of Canada will be taxed only in Canada, if it relates to a loan concluded, guaranteed or secured or if it relates to a credit which is extended, guaranteed or secured by Export Development Canada (EDC).
  - c) Interest arising in Canada and paid to a resident of Greece will be taxed only in Greece, if it relates to a loan concluded, guaranteed or secured, or if it relates to a credit which was extended, guaranteed or secured by Greek Export Credit Insurance Organization (ECIO).
- f.** Nil if the recipient of the interest is the Government, local authority or the Central Bank of the other State or any financial institution whose total capital is held by the Government of the other State.
- g.** 5% rate applies where royalties are for cinematography films other than films shown on television.

- h.** Non-Treaty rates apply.
- i.** Nil rate applies where royalties are for the use of, or right to use, any copyright of literary, artistic or scientific work, including cinematograph films, or films and tapes for television or radio broadcasting.
- j.** Local rate applies as it is less than treaty rate.
- k.** The domestic withholding tax rates apply to interest and royalty payments in excess of fair and reasonable compensation.
- l.** Nil if the recipient of the interest is the other State or local authorities or the Central Bank of the other State.
- m.** The 5% rate applies to the use of industrial, commercial or scientific equipment.
- n.** Non-treaty rate applies if the claim pursuant to which interest or royalty was created or assigned was not made for bona-fide commercial purposes.
- o.** Nil if the recipient is the other State or local authorities or the Central Bank of the other State or any other Government organization or financial foundation agreed upon by the Contracting States.
- p.** 5% rate applies where royalties are for the use of, or right to use any copyright of literary, artistic or scientific work including cinematography films and films or tapes for television or radio broadcasting.
- q.** Nil if the recipient of the interest is the other State or the Central Bank of the other State or a financial institution that operates in a governmental function and which grants loans the term of which can be no less than three years.
- r.** Nil rate applies if the recipient of the interest is the Government or Central Bank of the other State.
- s.** 8% withholding tax on interest applies if the beneficiary is a bank or financial institution.
- t.** 5% rate applies where royalties are for the use of or the right to use any copyright of literary, artistic or scientific work including cinematograph films.
- u.** Nil if the payer or the recipient is the State or political subdivision or local authority or the interest is paid to the Central Bank of Greece or the South African Depository Bank, or the interest is paid to any other

agency or organization that belongs in their entirety to the other State or political subdivision or local authority.

- v.** Nil if the payer or recipient is the State or political subdivision or local authority or the interest is paid to any other agency in relation to loans made pursuant to an application of an agreement concluded between the Contracting States.
- w.** Nil if the recipient of the interest is the State of Turkey or the Turkish Central Bank (Turkiye Cumhuriyet Merkez Bankasi).
- x.** Nil if the payer or the recipient is the State or political subdivision or local authority or the interest is paid to any other agency or organization (including financial institutions) that belongs in its entirety to the other State or political subdivision or local authority or the interest is paid to any other agency or organization in relation to loans concluded between the Contracting States.
- y.** The local rate of 25% applies where royalties are for motion picture films.
- z.** Non-treaty rate applies to interest in excess of 9% annually and where the recipient US Corporation has more than 50% interest in the Greek paying company.

## Appendix 5

# KPMG services

### International Presence

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative. With nearly \$20 billion revenues worldwide, we operate in 144 countries and have 100 000 people working in member firms around the world.

Our aim is to turn knowledge into value for the benefit of our clients, our people, and the capital markets. All member firms follow the same values and philosophy that secure high quality services while adding value to the clients.

### Outstanding Position in the Greek Market

Operating in Greece for the last 40 years, KPMG offers audit, tax, advisory and bookkeeping services to domestic and international businesses in Greece and abroad. Operating in Athens and Thessaloniki, KPMG employs over 400 high caliber professionals, most of who hold post graduate degrees and possess significant, specialized expertise.

Moreover, KPMG is the only ISO 9001 certified international advisory firm in Greece. With sustained growth and ambitious expansion plans for the coming years, KPMG continues to maintain its leading position in the Greek market.

### Service Offerings

The services offered by KPMG in Greece fall under the following major categories:

#### Audit

- **Financial Statement Audit:** KPMG provides independent audit services that will help to enhance the reliability and credibility of the financial reporting undertaken by client organizations.
- **Regulatory Audit:** KPMG assists clients to fulfill a range of compliance obligations by conducting independent audits and reviews of financial

information and other data, for example with respect to custodian services, money laundering compliance etc.

- **Audit Related Services:** KPMG performs reviews of financial statements (ISRE 2400 and 2410) expressing a limited assurance opinion on financial information and agreed-upon procedures (ISRE 4400) which are procedures agreed between an entity and a third party to produce factual findings about financial information or operational processes.
- **Guidance and Assistance with the Compilation of Financial Statements:** KPMG assists with complex financial reporting and accounting challenges as well as advising on the introduction and interpretation of new and existing accounting standards.
- **Secondments of Expert Personnel:** KPMG seconds professionals with appropriate accounting and finance skills to work within clients.

## **Tax**

- Research and advice on the tax treatment of specific transactions
- Advice on tax minimization for new transactions, mergers, conversions or other restructuring
- Advice on tax implications of cross-border transactions and investments
- Advice and assistance with transfer pricing and avoidance of double taxation
- Preparation of transfer pricing files
- Review of agreements/contracts from a tax point of view
- Identifying tax provisions which are incompatible with EU Law or with double tax treaties in order to reduce tax obligations and to request tax refunds
- Examination of executive payment schemes and of personal tax issues in general
- Tax compliance services (review or preparation of tax returns for individuals and corporations)
- Tax diagnostic reviews
- Overall examination of tax implications arising from establishing abroad
- Tax planning in relation to utilization of foreign tax credits



- Advisory services in relation to major tax issues which arise in the course of cross border payment or receipt of fees, royalties, interest and dividends in light of double tax treaties and European Tax Law
- Support during tax audits
- Support in tax litigation
- Tax planning and compliance services in relation to Real Estate
- Advisory and compliance services in relation to indirect tax (stamp duty, VAT etc.)
- Specialized legal services (provided by CPA Law, a KPMG member law firm).

### **Advisory**

- Strategic Financial Management: Business Strategy, Business Planning, Budgeting and Forecasting, CFO Support, Accounting Advisory Services.
- Business Performance Services: Business Process Improvement, Performance Management and Metrics, Cost Management, Change Management, Quality Systems.
- Risk Management: Internal Audit, Regulatory Compliance, Financial Risk Management, Corporate Social Responsibility, Enterprise Risk Management, Project & Quality Management.
- IT Advisory: IT Strategy and Performance, IT Sourcing, IT Project/Program Management, ERP Controls Integration, Information Protection and Business Resilience, IT Internal Audit, IT Attestation, Business Intelligence, IT Architecture, Information Risk Management.
- People Services: Executive Search and Selection, Performance & Reward Management, People Systems & Procedures, Compensation Services / Surveys, Training, Leadership Development.
- Corporate Finance: Valuations & Appraisals, Mergers & Acquisitions, Project Finance, Public Private Partnerships (PPPs), Transaction Services, Financing Advice, Corporate Restructuring.
- Transaction Services: Due Diligence, Pre-Deal Evaluation, Vendor Due Diligence, Transaction Structuring.
- Forensic: Proactive & Reactive Fraud Risk Management, Asset Tracing & Recovery, Forensic Technologies, Security Advisory Services.

## **Accounting**

- Bookkeeping
- Accounting supervision
- Preparation of management accounts and reports
- Preparation of periodic and summary tax returns
- Payroll outsourcing
- Preparation and submission of returns to social security funds and labor authorities
- Advice on accounting issues
- Training of employees of accounting departments
- Provision of loaned staff at all levels for covering temporary needs of accounting departments
- Assistance during the establishment and winding up of a company.

*For further information please contact:*

### **KPMG**

3 Stratigou Tombra Street  
Aghia Paraskevi, Athens 153 42, Greece  
Telephone: +30 210 60 62 100  
Fax: +30 210 60 62 111

400B Mesogeion Ave  
Aghia Paraskevi, Athens 153 42, Greece  
Tel: +30 211 1815600

2 N. Kountouriotou Street  
Thessaloniki 546 25, Greece  
Telephone: +30 2310 550 915  
Fax: +30 2310 543 670

email: [postmaster@kpmg.gr](mailto:postmaster@kpmg.gr)  
[kpmg.com/gr](http://kpmg.com/gr)

© 2011 KPMG Certified Auditors AE, a Greek Societe Anonyme and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

"The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

